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# **GCE EXAMINERS' REPORTS**

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**GCE (NEW)  
ECONOMICS  
AS/Advanced**

**SUMMER 2019**

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<b>Unit</b>	<b>Page</b>
Unit 1: Introduction to Economic Principles	1
Unit 2: Economics in Action	4
Unit 3: Exploring Economic Behaviour	8
Unit 4: Evaluating Economic Models and Policies	11

# ECONOMICS

## General Certificate of Education (New)

Summer 2019

### Advanced Subsidiary/Advanced

## UNIT 1: INTRODUCTION TO ECONOMIC PRINCIPLES

### General comments

This was the fourth Unit 1 paper covering content from the revised 2015 specification. Candidates were well prepared for the structure of the paper and virtually all managed to finish in the available time.

The standard deviations for all the questions, however, are relatively high, suggesting that the paper did a very good job of separating out the candidates' scores.

The statistical data available suggests that the first half of the paper (the multiple-choice questions and question 16) contained the most accessible questions, whilst questions 17 and 18 were the most challenging.

### Comments on individual questions/sections

#### Q.1-15 (multiple-choice)

The mean score for the multiple-choice questions was 8.7. For comparison, it was 9.4 in 2018 and 11 in 2017. The facilitation factor of 58.2 also indicates that candidates found the 2019 multiple-choice questions relatively tough going compared to previous years.

The aim of the multiple-choice questions is always to test candidates on their knowledge of economics concepts from the AS specification as well as their quantitative skills, which is referred to in Annex A. The standard deviation of 2.7 indicates that the multiple-choice questions discriminated quite well, as they always seem to do.

Candidates should consider their approach to the multiple-choice questions section. It contains 27% of the marks for Unit 1; therefore, they should not be underestimated. On the other hand, each individual question only carries one mark (or 1.8%) and so, if candidates spend too long on specific questions, they do so at risk of failing to complete later questions which carry more marks.

The questions that seemed to really separate the candidates were the diagram-based ones: questions 3, 4, 11 and 12. For questions like question 3, candidates should be encouraged to draw their own diagram alongside the question so that they can best match their answer to the options. For questions like questions 11 and 12, candidates should be encouraged to learn what every area of every diagram is – both in abstract terms but also 'how to calculate it'.

It was very pleasing to see how many candidates got question 15 correct. On page 19 of the specification, there is a reference to 'learners should be aware of the major areas of government expenditure and sources of revenue'. National Insurance Contributions – the third largest source of revenue – should be known by candidates and thus it proved they were.

- Q.16 (a)** Question 16 (a) was answered well and demonstrated that most candidates can perform this type of mathematical question. However, candidates should be encouraged to take note of the number of significant figures that are asked for in the question. Several candidates performed the correct calculation but lost marks because of incorrect rounding up or not rounding up and giving the answer too many significant figures.
- (b)** Question 16 (b) aimed to test candidates' knowledge of *opportunity cost* within a new context. In many cases, candidates could correctly identify the opportunity cost (buying shares) but approaches differed to calculating it. The most successful candidates understood that, when choosing between option A and B, the opportunity cost of A is B; and not A - B.
- Q.17 (a)** Question 17 (a) was an AO1 (knowledge) question which aimed to test candidates' knowledge of page 12 (price function) of the specification. The low mean score suggests that, when revising, it is important for candidates to consider the granularity of the specification points so that they have a solid understanding of all aspects.

**(b) & (c)**

Parts (b) and (c) were focussed on page 10 (elasticity) of the specification. The most successful candidates realised that two calculations were required for part (b) and could effectively explain why elasticity moves along the downward sloping demand curve. In part (c), they (again) used calculations to support their arguments, whilst also recognising that an evaluation was required from the command word **consider** – this does appear on the WJEC list of command words and has been used before in a previous exam series (2017) to indicate evaluation. Candidates should be encouraged to become familiar with all command words.

Overall, the mean score for question 17 was just 6 out of 12 (just 50%) and the facilitation factor of 49.6 indicated that many candidates found this question difficult.

- Q.18** Question 18 was more abstract than heavily contextualised. Candidates were not given any specific data to support their answers, instead just an AD/AS diagram from an unnamed country. The aim of the question was to test candidates' ability to work in the abstract, which is an important part of any GCE Economics course.

**(a) & (b)**

Despite the unfamiliar question type, however, the questions to part (a) and part (b) were simply aimed at testing basic knowledge. The questions themselves were 'word-for-word' taken from the specification. Again, it is important for candidates to consider the granularity of the specification points so that they have a solid understanding of all aspects. For part (a), the most successful candidates talked about one of the following: the real balance effect, the trade effect and the interest rate effect. All of these are stated in the specification. For part (b), the best explanations focussed on the ideas of full capacity, scarce resources and any additional increases in demand simply leading to the price level increasing. In general, part (b) was answered much more successfully than part (a).

- (c)** For part (c), the most successful candidates were able to correctly identify a supply-side fiscal policy (such as influencing incentives to work and invest, improving infrastructure – all of which are listed in the specification) and then offer a brief explanation (with evaluation) of why it could lower inflation rates.

Some candidates did not gain full marks, either because their answers were not evaluative enough or because they did not develop their answer in terms of achieving the target of low inflation.

The mean score for this question was 4.4 out of 10 with a standard deviation of 2.9. This question really did a good job of spreading out the candidates. Some knew very little, whereas others gained very good marks indeed.

- Q.19 (a)** Responses to part (a) of question 19 suggested that candidates were familiar (and confident) with the way in which interest rates affect exchange rates. The most successful candidates could also explain a second method such as direct intervention on the FOREX market or capital controls. Several candidates offered the monetary policy of quantitative easing as a way of influencing the exchange rate. This was only allocated marks if explained correctly.
- (b)** Part (b) was a familiar question, albeit in a different context (President Trump's Twitter feed). The most successful candidates offered an explanation of why China's alleged artificially low exchange rate could worsen the US' trade balance but also offered at least two points of developed evaluation as well. There were AO2 (application) marks that could have been gained, either by using the data (such as referring to the Chinese Yuan 6.6% fall against the US dollar) or candidates' own knowledge of a highly topical issue – for example, the possible retaliation measures that President Trump has proposed since.

### Summary of key points

- Candidates must be familiar with all command words.
- Candidates must consider the granularity of the specification points so that they have a solid understanding of all aspects, no matter how small.
- Candidates should consider their approach to the multiple-choice questions. Individually, they do not carry many marks but, collectively, they are worth 27% of the paper.
- Candidates should be comfortable with answering questions on the abstract/theoretical aspects of economics just as much as the contextualised (real-life) issues.

# ECONOMICS

## General Certificate of Education (New)

Summer 2019

Advanced Subsidiary/Advanced

### UNIT 2: ECONOMICS IN ACTION

#### General comments

This was the fourth Unit 2 paper covering content from the revised 2015 specification. Candidates were well prepared for the structure of the paper and virtually all managed to finish in the available time. That said, lots of marks were lost on the last two questions (Keynesian fiscal policies and merit goods) which indicates that either candidates were rushing at the end or their knowledge of these areas was weaker.

The statistical data suggests that Section B was much tougher than Section A. Section A had a mean score of 22.2 out of 40 and the facilitation factors (except for question 1 (b) (ii) were relatively high.

Section B, by contrast, was 'tougher'. It had a mean score of 19.6 and significantly higher facilitation factors. The standard deviations were also much higher.

#### Comments on individual questions/sections

##### SECTION A

**Q.1 (a)** Most candidates successfully demonstrated their understanding of *real* prices and how to calculate an inflation rate from data in this question.

The mean score was 2.6 but the standard deviation of 1.6 shows that this was a very binary question; candidates tended to either achieve full marks or none at all. To mitigate this in the future, candidates should be encouraged to show all workings, read the instructions carefully (regarding how many decimal places, etc) and perform their calculations accurately.

**(b)** The aim of this question was to test page 16 (Circular Flow of Income) of the specification, which, until this point, had been untested.

The mean score of 3 out of 6 (50%) indicates that many candidates seemed unfamiliar with this topic. The most successful candidates were able to identify two injections from the data correctly (such as private investment on building the toll road and Government spending on removing the toll booths); marks were not awarded for stating generic injections. They were also able to describe the mechanism of the multiplier effect. Many candidates did not gain full marks because they were able to identify the concept of 'the multiplier' but then did not explain it well. In particular, the question asked for an explanation as to why an injection would lead to an even greater change in national income. The most successful candidates focussed on this aspect, whilst less successful candidates could only explain why an injection led to a change (but not an even greater change) in National Income.

- (c) This question had a mean score of 4.3 out of 8 and a standard deviation of 2.1. The most successful candidates defined a public good, using economic terminology such as non-rival, non-excludable or non-diminishable (other variants accepted) and then took a two-sided approach to discussing whether or not roads were a good example of a public good. Some candidates did not score many marks at all because they confused the idea of a 'public good' with a publicly funded good.
- (d) This question aimed to test candidates' ability to evaluate government intervention schemes. Road pricing is specifically mentioned on page 14 of the specification and it was good to see so many good answers.

The mean score was 5.3 out of 10 and the standard deviation 2.0, suggesting that most candidates' responses tended to range from 3 to 7. The most successful candidates considered the pros and cons of both policies. The very best candidates were also able to pick up their AO2 (application) marks by thinking about the question in the context of the UK and whether or not either policy would be particularly effective in the UK. There was not a great deal of data to assist with this, so any evidence of thinking about real issues in the UK was rewarded. Some candidates talked about commuting habits, the unhygienic nature of public transport, the likely funds available for investment – all of which demonstrate clearly that candidates are engaging with the question in a real-life way.

- (e) This was a challenging question which, like question 1 (d), asked candidates to consider a question in context without giving them a huge amount of data to fall back on. However, there are numerous references in the specification to the fact that learners should be familiar with the context of the Welsh (and rest of the UK) economy. In this case, many candidates did and it was pleasing to see so many candidates talking about people working in Bristol but commuting to Newport (or vice versa) and whether or not the impact would be seen in places other than Cardiff and Swansea. This is brilliant application to be using in a question like this.

The most successful candidates were able to distinguish investment from consumption. Too many candidates, by contrast, lumped the two concepts together. The best candidates were then able to evaluate the impact of toll removals on both flows (C and I).

It is pleasing that almost all candidates knew that evaluation was required in this question. Top level evaluation focussed on things like the size of the change, the time lag element and the habitual nature/elasticity of travel. That said, it is important to note that candidates must offer more than just a list of evaluative points at the end of their answer. The most successful candidates will build chains of analysis within their evaluation to explain the extent to which something will or will not occur, i.e. to a large extent or to a small extent.

## SECTION B

- Q.2 (a)** This was perhaps the most surprising of all the questions in the 2019 series in terms of the range of answers received. The aim of the question was to test candidates' knowledge of page 19 of the specification. Some candidates confused 'current expenditure' with 'transfer payments'. Spending on welfare and pensions was not credited.

Likewise, some candidates tried to use the same example (such as education/healthcare) for both current and capital spending. In the latter case, being more explicit (current = teachers' wage; capital = building of schools) would have been given full marks. The mean score of 1.9 and standard deviation of 1.5 (for a 4-mark question) shows that there is a high degree of variability in candidates' understanding of this topic.

- (b) The most successful candidates were able to identify the trends between variables but, more importantly, to offer legitimate explanations as to why those trends were occurring. A very large number of candidates simply described the trend rather than discussing the relationship. This may have been caused, to some extent, by the question in the 2018 paper which asked candidates to describe the relationship between wages and immigration figures. The command word here, however, was different and a different approach was therefore required. Again, candidates should be familiar with all possible command words.
- (c) This was answered very well; the mean score was 4 out of 6. The most successful candidates drew the wage-ceiling diagram correctly and then explained the labour shortage issue by looking at the effect on the quantity supplied and demanded. Many candidates scored 5 out of 6 by only considering the supply curve rather than the demand as well.
- (d) This aimed to test page 19 (demand-side fiscal policy) of the specification, which states that:

*Explain how Keynesian economists believe that fiscal policy can and should be used to control the level of aggregate demand in the economy under certain circumstances.*

To that end, marks were awarded for a thorough discussion of a Keynesian/demand-side approach to fiscal policy. The most successful candidates were able to analyse the reasons why Keynesian policies were potentially beneficial for the UK and they drew Keynesian AD/AS diagrams to show AD moving to the right. They then looked at the potential drawbacks to the strategy (such as budget deficits, possible demand-pull inflation, income inequality, etc) whilst, all the time, linking back to the data and referring to the context of the UK economy and Phillip Hammond's challenges.

Limited credit only was given to candidates who focussed on the supply-side aspects of healthcare and education. No credit was given to candidates that talked about interest rates. Many candidates seem to believe that questions which ask for a discussion of policy X (in this case, Keynesian demand-side policies) can be answered in terms of "policy X is ineffective but policy Y is much better. Policy Y ...". Candidates should be discouraged from taking this approach in the future.

Only 95% of candidates answered this question. The mean score was just 5 out of 12 and the facilitation factor 41.8. This was clearly the 'toughest' question of the 2019 AS series.



- (e) Almost everybody (98.4%) offered an answer to the final question, which suggests that candidates were more comfortable with their knowledge of merit goods than Keynesian fiscal policies.

The question was quite open, and candidates could have taken a microeconomic or macroeconomic approach. Many of the best answers, however, considered both micro and macro factors – firstly, framing the merit good problem in terms of market failure but then considering the supply-side aspects of both policies on the macroeconomy.

Those candidates who took a purely macro approach often started well but quickly repeated themselves because they ran out of things to say. Limited credit was given to endless analysis of the reasons why education and healthcare shift the LRAS curve outwards. Similarly, a number of candidates started to lose their economic focus (perhaps as it was the end of the exam) and began to consider issues of morality and ethics, some even linking to the dominance of the patriarchy (sociology(?)). Candidates should be encouraged to stick to the economic toolkit that they have built up over the twelve months studying for the AS qualification. It was, for example, very pleasing to see a merit good market failure diagrams when they were drawn.

### Summary of key points

- For calculation questions, candidates should be encouraged to show all workings, read the instructions carefully (regarding how many decimal places, etc) and perform their calculations accurately.
- Questions will never be repeated but candidates should be encouraged to look at past papers from pre-2015 and also from other exam boards in their preparation for summer exams.
- Candidates must offer more than just a list of evaluative points at the end of their answer. Top level evaluation will build chains of reasoning just like a good analysis paragraph.
- Questions asking for a discussion of policy X should be focussed on exactly that. Too much analysis of an alternative policy (for example, policy Y) will gain little credit unless it is asked for in the question.

# ECONOMICS

## General Certificate of Education (New)

Summer 2019

### Advanced Subsidiary/Advanced

#### UNIT 3: EXPLORING ECONOMIC BEHAVIOUR

##### General comments

This was the third Unit 3 paper covering content from the revised 2015 specification. Candidates, for the most part, were well prepared for the structure of the paper, and virtually all managed to finish in the available time, with some excellent answers to the final question on the paper. The main reasons for loss of marks relate to interpretation of time-series data presented in graphical form as well as failure to use the case study data throughout Section B.

The statistical data available suggests that questions 2 and 7 were the most accessible questions for candidates, and that questions 4, 5 and 8 were the most challenging. Around 3% of candidates did not attempt question 6, but those that did generally performed reasonably well.

##### Comments on individual questions/sections

##### SECTION A

- Q.1** Many candidates were awarded both available marks for drawing the monopolistic competition long-run diagram, but there were several errors, especially in terms of candidates being unable to show that firms in this market structure achieve just normal profits at the profit-maximising point. In general, the written explanation given by candidates was not as strong as their diagrams, with many unable to explain how the supernormal profits earned in the short-run would attract new firms to the market, thus reducing demand (AR) for the incumbent firms. Furthermore, many candidates did not make clear what would happen to the level of output in the long-run for the firm shown in the question. It is important that candidates answer the precise question asked. The mean mark for this question was 2.4 (out of 4).
- Q.2** Parts (a) and (b) were generally answered well by most candidates, who made strong use of the data in the table. A small number of candidates had clearly been well-drilled on the various business objectives so knew, for example, that revenue is maximised when  $MR = 0$  but could not apply that to the information provided. Many candidates wrote nothing for part (c) which asked them about possible social or community objectives. This phrase is clearly mentioned on the specification, and centres are reminded that all content on the specification is available for testing. The mean mark was 4.3 out of 6.
- Q.3** Many candidates gave good definitions of the term 'independence'. However, many struggled to give precise answers to part (b). Instead of explaining two conditions needed for collusion to occur, they outlined two impacts of collusion or two reasons why firms may choose to collude. Very few used the data provided, as the question requested. The mean mark was 3.8 out of 6.

- Q.4** This was a challenging question, based on some challenging data. In part (a), candidates were required to compare and contrast the data on the UK and US output gaps. Some simply provided descriptions of the data rather than a comparison. Others did not know how to interpret the data provided, and did not recognise that, when the data was negative, that implied that the output gap was negative, i.e. actual GDP less than potential GDP. Because of this, many candidates were awarded no marks for what should have been a very straightforward question. Easily more than half of the candidates, for example, wrote that “the UK’s output gap was increasing over the period shown” because they thought that an upwards sloping line meant an increasing output gap. Clearly, the UK had a shrinking negative output gap. In part (b), most candidates referred simply to Chart 2 for their data rather than using the full range of useful information provided. The mean mark was 5.6 out of 11.
- Q.5** Candidates misinterpreted the time-series line-graph data in question 5 in a similar way to the misinterpretation in question 4; for example, suggesting that the UK had an “increasing budget balance”, when in fact that UK’s budget deficit was falling over the period shown. Many candidates understood that there should, in theory, be a positive correlation between an economy’s budget deficit and its national debt. However, a good proportion simply described the data and seemed to forget that they were tackling an economics exam and, sadly, some candidates confused budget deficits with trade deficits, and national debt with the debt generally held by an economy’s households. The mean mark was 3.4 out of 7.
- Q.6** Some centres had done an excellent job of covering the quantity theory of money, and there were instances of an entire centre’s cohort being awarded 5 or 6 out of 6 for this question. However, there were also instances where an entire centre’s cohorts did not even attempt the question or clearly had no idea what the quantity theory of money was (in some cases, confusing it with quantitative easing). Centres are reminded that full coverage of the specification is essential. The mean mark was 4 out of 6.

## SECTION B

- Q.7** Most candidates scored well on parts (a) and (c), but more struggled with part (b), which required a stronger understanding of manipulating percentage change formulae. Regular practice of quantitative skills is important, especially for candidates who are not studying other subjects containing quantitative skills. The mean mark was 4.5 out of 6.
- Q.8** There were some excellent answers to this question, and examiners were pleased to see the creativity used by some candidates in combining their economic knowledge with a very practical application – any justified and relevant costs/revenues diagram was accepted. However, the question answered by many candidates was not the question asked, with many simply discussing the impact of ICT investment on a small firm, rather than on a small firm’s **costs**. Some candidate answers also suggested that they had not read the case study at all. The mean mark was 5.4 out of 10
- Q.9** In a similar vein to question 8, some candidates simply discussed the impact of ICT investment on the Welsh economy rather than the Welsh **labour market**. It is vitally important that candidates answer the specific question that is asked and use relevant data from the case (of which there was much they could use). The mean mark was 6.6 out of 10.

**Q.10** The marks awarded for part (a) were quite polarised, in that a good proportion scored all 4 and, similarly, many scored nothing. Candidates needed to consider development indicators in light of the increasingly digital global economy, and make use of the data provided, rather than simply providing examiners with generic development indicators. There were, however, some excellent answers to part (b), with candidates carefully linking the examples from the case study to how they impact upon living standards. A small number of candidates simply repeated the examples from the case study without providing their own further analysis/ depth. But the quality of answers, especially since this was the last question on the paper, was generally very high. The mean mark was 8.6 out of 14.

### Summary of key points

- Candidates must answer the specific question that is asked, rather than the one they would prefer to answer. Centres can help candidates prepare for this by identifying “cause” and “effect” in past paper questions.
- Candidates need to be able to combine their economic knowledge and their quantitative skills, particularly when data is presented in graphical form, to be successful in this paper. There is a huge amount of economic graphical data available online, and centres are encouraged to present candidates with a range of data in a range of graphical styles/modes on a regular basis.
- Centres should ensure that they have covered every topic on the specification, no matter how small.
- It is important for centres and teachers to remember that not all candidates find quantitative skills easy; for many, they will have learned the methods in order to pass GCSE Mathematics or Sciences but may well have forgotten them in the meantime. Helping candidates practise these skills is important, given that they make up 20% of the overall marks on the A level.
- Every question on this paper will require candidates to use the data provided – there are AO2 (application) marks available, therefore, on every question, and this makes up over one third of the available marks.

# ECONOMICS

## General Certificate of Education (New)

Summer 2019

### Advanced Subsidiary/Advanced

#### UNIT 4: EVALUATING ECONOMIC MODELS AND POLICIES

##### General comments

There were some excellent answers to the questions set, with no discernible differences between the quality of answers for the choices available in each section. Timing did not appear to be an issue, with a strong attempt rate across all sections, and some very high marks awarded in Section C.

##### Comments on individual questions/sections

##### SECTION A

There were few centres in which there was an even split of question choices – most candidates from individual centres opted for one or the other.

**Q.1** Question 1 was attempted by 54.5% and question 2 by 44.8% of candidates.

- (a)** This was a challenging question. There were few instances seen of correct numerical examples, and even fewer in which candidates were able to correctly analyse their examples. Most candidates attempting this question gave their own payoff matrix but got confused with interpreting and analysing the numbers. Not many really considered price leadership (whether that was related to rising or falling prices), although most could give a reasonable explanation of the usefulness/relevance of game theory and understood the concept of a Nash equilibrium and interdependence. The mean mark was 6.1.
- (b)** Many candidates started their answers by writing extensively about what is meant by price discrimination, and then drawing painstakingly accurate third-degree price discrimination diagrams. This must have taken them considerable time but gained them few, if any, marks unless they were able to then use those diagrams as part of their argument on whether price discrimination should be banned or not. Candidates typically wrote well about the pros and cons of price discrimination (particularly in relation to consumer welfare), but struggled to access the highest marks because they did not hone in on the precise question, i.e. whether it should be banned or not. The very best answers were those which considered the appropriateness of a ban, and suggested situations in which a ban would/would not be relevant. The mean mark was 12.6.

**Q.2 (a)** Candidates typically gave a good outline of perfect competition and were able to accurately draw a long-run perfect competition diagram.

The majority of candidates then stated that firms in perfect competition would be productively efficient, allocatively efficient, and x-efficient, but rarely managed to explain precisely **why** this would be the case, which prevented them from being awarded all 10 marks available. The mean mark was 6.3.

- (b) There were some excellent ‘pros and cons’ of oligopoly outlined, including price rigidity leading to greater confidence and ability to plan, and non-price competition leading to choice. Occasionally, the analysis was a little simplistic and assumed that all firms in an oligopoly are large (leading to economies of scale, etc); in oligopoly, there may be many small firms as well as the larger dominant firms. In order to be awarded the highest marks, candidates needed to consider whether oligopoly was the **most** desirable market structure, rather than merely whether it was desirable. This therefore required some comparison with other structures, something that most candidates did not manage to do. That said, there was a small number of outstanding answers. The mean mark was 10.

## SECTION B

**Q.3** There was a very even split between question choices in this section. 31.4 % selected question 3 and 68.6 selected question 4.

- (a) Most candidates attempting this question were able to accurately draw an SRAS curve and explain why curve shifts in either direction. Very few, however, were able to explain the upwards slope, and this prevented candidates from accessing all 10 marks. A small number labelled their axes using microeconomic labelling. Some wrote extensively about factors that might cause LRAS to shift rather than SRAS. As a reminder to centres, SRAS shifts if the cost of factors of production change, whereas LRAS shifts if the quantity/quality of factors of production changes. Factors such as technological change or rising productivity typically cause LRAS to shift; if candidates had been able to connect these changes to reductions in the costs of factors of production, then they could have been given credit for correct consideration of factors that shift SRAS. The mean mark was 5.1.
- (b) There was a wide range of answers to this question. A good proportion of candidates wrote about the possible advantages of recession, rather than linking to the impact of contractionary fiscal policy. Others manipulated the question to one that they would have preferred to answer, in relation to expansionary fiscal policy. That said, there were some excellent answers in which candidates used both Keynesian and Neoclassical approaches (including diagrams) to discuss the possible impact of contractionary fiscal policies, as well as considering economies at different stages of development or with different needs. The best answers considered different approaches to contractionary fiscal policy, i.e. instead of just considering an increase in tax rates and a decrease in government spending, candidates considered the possible differences as a result of increases in, say, income tax and corporation tax rates, or decreases in spending on capital or current spending. The mean mark was 10.5.

**Q.4** (a) There were some outstanding answers to this question on the process of quantitative easing, and some centres will find that many of their candidates who tackled this question were awarded full or close-to-full marks.

The best answers were those that really showed an understanding of how central banks purchase government and/or corporate bonds from financial institutions, injecting liquidity into the system, and forcing down interest rates by raising the market price of bonds (thus lowering yields). Many of these answers also considered the impact of rising bond prices on asset prices in general, and thus the impact of the wealth effect. These candidates then linked their analysis of QE to economic growth and inflationary pressure, typically using AD/AS analysis. Weaker candidates, and those less well prepared, often wrote about the government buying bonds (rather than the central bank), or simply wrote that the economy's money supply was increasing and jumped straight into rising AD. There was also some confusion amongst candidates regarding the difference between an economy's domestic money market (where QE is directly relevant) and the foreign exchange market. QE does not automatically increase the supply of domestic currency onto the foreign exchange market, and therefore does not automatically lead to a depreciation of the currency in this way (although there may well be a depreciation indirectly as a result of domestic interest rates falling, leading to a reduction in inwards short-term capital flows). The mean mark was 6.

- (b)** Many candidates were awarded between 10 and 14 marks for this question – it appeared to be one that many centres had practised with candidates ahead of the examination. Typically, candidates considered the role that deflation has in terms of delaying household and business expenditure (thus leading to a vicious downwards spiral in terms of growth and further falls in the price level), as well as the increase in the value of debt as a result of inflation. In terms of positive outcomes from a deflationary situation, most candidates considered the view that this might make exports more price competitive. The difference between candidates who considered these three aspects was typically related to the depth of their explanation of each point and use of appropriate terminology and diagrams. The best candidates were those who considered that the impact of deflation might be different in different economies and could depend on the stance taken by monetary authorities. A small number of candidates confused deflation with recession and were therefore awarded few marks. The mean mark was 11.

## SECTION C

Question 6 (61.8%) was more popular than question 5 (38.2%).

- Q.5 (a)** The majority of candidates wrote well about two or three possible factors that could cause a trade deficit. Very few considered the broader current account (as the question requested) and seemed to think that the current account consisted solely of the trade balance. Those that did consider primary and/or secondary income on the current account were generously rewarded. Some candidates gave a 'shopping list' answer listing many possible causes of a trade deficit. Whilst this was rewarded with some AO1 marks, they were unable to gain AO3 marks, and thus significantly limited their overall marks for this question. The mean mark was 6.
- (b)** The most common answer seen was an in-depth discussion of the advantages and disadvantages of globalisation, with very little reference to the UK economy (other than generic 'lip-service'). Such answers typically scored highly in Band 2 but could not access Band 3.

The best answers, therefore, were those that were fully grounded in the UK economy context, perhaps considering the UK's comparative advantage, regional disparities, the productivity problem, and the relationship with the EU, for example. The mean mark was 13.1.

- Q.6 (a)** There were some excellent answers to this question, and centres are to be congratulated for giving candidates a strong grounding in development policies. The best answers considered different types of aid (for example, humanitarian, project, etc) as well as different approaches to debt relief (for example, complete wiping of debt, or debt restructuring). Candidates considering these areas then carefully linked them to improving living standards/rising development levels. Candidates who were awarded around half marks typically treated aid and debt relief in a fairly generic way and were not explicit enough about their link to living standards. The mean mark was 6.2.
- (c)** Candidates who were awarded fewer than 10 marks typically just gave an analysis and evaluation of tariffs, using a tariff diagram, and made little connection to improving living standards in LEDCs. The best answers considered a number of different types of protectionist policies (for example, tariffs, quotas, exchange rate manipulation, non-tariff barriers such as red-tape and bureaucracy) very much in the context of implementation by LEDCs (for example, primary product dependency, minimal infrastructure, need for access to necessities such as food and medicine), unstable governments, and under-developed financial sectors). The very best answers recognised that all LEDCs are different and have different needs. The vast majority of candidates wrote at some point in their answers that governments in LEDCs are corrupt. This was quite alarming to the examining team, who could see little justification for and relevance of such claims. Some governments of LEDCs may certainly be corrupt but, arguably, no more so than governments of MEDCs. They may lack skills, due to weaker education systems, for example, but this is not the same as deliberate corruption. The mean mark was 11.4

### Summary of key points

- The best answers were those in which candidates selected a small number of salient points and developed them in depth, rather than giving a bulleted list of possible points.
- Candidates who were awarded Band 3 marks were those that answered the precise question set and remembered that economics is not merely a theoretical subject and can be applied to a range of scenarios. For example, if a question asks about the UK economy, then answers must be written in the context of the UK economy.
- Candidates from several centres consistently confused microeconomic and macroeconomic analysis. It is important that candidates understand the distinctions.
- The use of relevant examples can really help to 'lift' the quality of an argument, by providing evidence or counter-evidence to a given point.





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