

GCE



Chief Examiner's Report Economics

Summer Series 2018



Foreword

This booklet outlines the performance of candidates in all aspects of CCEA's General Certificate of Education (GCE) in Economics for this series.

CCEA hopes that the Chief Examiner's and/or Principal Moderator's report(s) will be viewed as a helpful and constructive medium to further support teachers and the learning process.

This booklet forms part of the suite of support materials for the specification. Further materials are available from the specification's microsite on our website at www.ccea.org.uk.

Contents

Assessment Unit AS 1	Markets and Market Failure	3
Assessment Unit AS 2	Managing the National Economy	5
Assessment Unit A2 1	Business Economics	6
Assessment Unit A2 2	Managing the Economy in a Global World	10
Contact details		13

GCE ECONOMICS

Chief Examiner's Report

Assessment Unit AS 1: Markets and Market Failure

It is pleasing to note in this Chief Examiners report for the second series of the revised specification that the question paper was well answered for the most part.

The range of marks awarded would suggest that the paper was successful in allowing candidates of all abilities to respond positively to the questions asked. Indeed there appeared to be fewer really poor scripts than was often the case in the legacy specification. The mean mark for the paper was in line with previous series in both the revised and legacy specification and as a result the grade boundaries were set at a similar level to the last two series.

The language used throughout the paper seemed to be at a level appropriate for AS students and there was little evidence of candidates experiencing problems in interpreting questions.

Most students made an attempt to answer all the required questions and there did not appear to be any significant problems for candidates in completing the paper within the available time. In the few cases where candidates did seem to struggle with timing, the issues appeared to stem from poor examination technique rather than from any particular issue with the paper. As I pointed out in the most recent Chief Examiners report, in Section A students are only required to answer the question directly and do not need to develop their answers with background information. In the few cases where candidates did seem to struggle to complete the paper there was evidence that they may have wasted valuable time by providing accurate though often superfluous information to questions in section A.

Section A

- Q1** Most candidates were able to calculate the marginal utility of the second breakfast bar to be 45 utils, however weaker candidates were not able to fully explain the concept of marginal utility.
- Q2** This question was generally well answered with most candidates able to identify and explain the factors impacting both demand and supply. This analysis was generally backed up by clear and accurate diagrams. Some candidates used up valuable time in this question by defining the terms demand and supply and drawing separate diagrams for the change in demand and the change in supply. Students should note that in questions where the available marks are 5 or less, examiners do not require students to do any more than the question asks. Taking time to define concepts that are not asked for in the question is not a good use of scarce examination time.
- Q3 (a)** The vast majority of candidates were able to calculate the YED for red meat accurately and therefore gained full marks, however as in the last question a number wasted time by defining income elasticity of demand – something which gained them no marks.
- (b)** Too many candidates went on in this section to say that the positive figure meant that red meat was a luxury good and completely ignored the fact that the coefficient was positive but less than 1.
- Q4** While most people accurately calculated the poverty line to be £15,360, it was disappointing to note that a number of candidates seemed to try and calculate this figure without the use of a calculator. Students are strongly advised to use a calculator when dealing with questions of this nature.

Section (b) of this question was generally well answered.

- Q5** This question was well answered with most candidates scoring at least Level 2. Those who achieved Level 3 did so as they were able to clearly apply the concept of positive externalities to beekeeping and were able to draw and label diagrams accurately.

Section B Data Response

- Q6 (a)** While most candidates were able to describe the fact that there was a clear correlation between social deprivation and obesity and use the data effectively to support this analysis, only the best candidates accurately pointed out that the correlation was much stronger for women than for men. An analysis of responses to the first data response question across the AS and indeed A2 exams would suggest that candidates have become too accustomed to simple time series data and while well prepared to describe simple trends are less prepared to compare trends or relationships between 2 or more pieces of data. The ability to compare trends and describe relationships between 2 or more pieces of data is an important skill for any A level economics student.
- (b)** This was a fairly straightforward question which was well answered by a significant proportion of candidates. However some candidates did confuse community surplus and consumer surplus and hence did not access the full range of marks. Another common error was a failure to accurately illustrate the area of producer surplus after the tax. In a free market, community surplus can be calculated as the area of consumer surplus plus the area of producer surplus. In the event of government intervention through an indirect tax the area of community surplus is equal to the area of post-tax consumer surplus, post-tax producer surplus and the tax revenue gained by the government, (as this is simply surplus transferred from the producer or consumer to the government).
- (c)** This question proved to be a very good discriminator, with a number of candidates achieving full marks while others struggled to get out of Level 1. Common errors included; analysing demerit goods with reference to production externalities, or failing to recognise that information failure often plays the biggest part in explaining why demerit goods are often over consumed in free market economies. The best answers considered the fact that consumers may not have access to all the available information. It was particularly pleasing to see how the best candidates considered concepts such as hyperbolic discounting and bounded rationality in their answers to this question.
- (d)** While there were some excellent answers to this question, too many could be described as merely mediocre. Too many candidates simply considered the pros and cons of taxation and in doing so depended too heavily on the material provided in the data. The best candidates evaluated the merits of taxation but also compared taxation to a number of alternative policies such as regulation or price controls.

Section C Essay Section

As is normally the case, the essay section was the section that most candidates performed well in. Possibly because there are coached well by their teachers, candidates seem more willing to evaluate the issues fully and bring more scope to their answers in the essay question than they are in the last data response question. Indeed despite only carrying 5 extra marks, answers in this section were often more than twice as long as answers to the 15 mark question in the data response section. It may be worthwhile for centres to revise the advice they give candidates regarding how long to spend on each section.

- Q7** This essay proved to be the more popular of the two and was generally well answered. The vast majority of candidates were able to use diagrams with confidence to analyse the likely impact of the NLW on employment and economic rent. The best answers went beyond this standard text book analysis and considered the possible impact on prices, investment decisions, company profits, the mobility of labour and the distribution of income.
- Q8** This question was less popular than Question 7 but was, on average, equally well answered. However a greater number of candidates seemed to struggle to discuss points beyond those highlighted in the preamble. This is surprising when you consider how relevant this issue is to them.

Assessment Unit AS 2: Managing the National Economy

As is typically the case, performance in this paper was not as strong as on the AS1 paper. That said however there were some excellent scripts scoring well over 80% of the available raw marks.

The language used throughout the paper seemed to be at a level appropriate for AS students and there was little evidence of candidates experiencing problems in interpreting questions or allocating the available time. The paper seemed to differentiate well between candidates and there were very few really poor scripts. Despite this the mean score however was slightly down on 2017.

Recommendations in previous Chief Examiners reports that candidates rediscover the usefulness of breaking essay type answers up into paragraphs seems to have been ineffective in this paper in particular, though it did apply to a lesser extent in AS1. This advice is not just a matter of markers' convenience. A discussion in which ideas are sequenced and differentiated makes the writers point more clearly, helps to avoid ambiguity and reduces the problem of ideas and judgements sometimes apparently contradicting each other.

Section A

- Q1** This was generally well answered. A minority of candidates were unaware how to interpret the Gini Coefficient but most were aware it measured inequality.
- Q2** (a) Surprisingly very few candidates achieved all three marks available. Too many made vague references to measurement of output without clearly stating what was meant by gross or domestic.
- (b) Mostly good though some candidates wrongly calculated the GDP percentage.
- (c) A significant minority of candidates confused GNP with NNP and discussed depreciation. Many were unclear on income from abroad and talked vaguely about subtracting imports or exports. Some very good answers were able to explain the repatriation of multinational profits as being the reason for the differential.
- Q3** (a) It was clear that many candidates simply did not understand the concept of a real wage. Some of those who did seem to grasp the key concept seemed to think that falling inflation meant the real wage was rising. This was particularly disappointing as falling real wages have been a major issue in recent discussions of UK economic performance.
- (b) A full range of answers here. Some produced clear diagrams with concise analysis to earn full marks. However, others produced Keynesian diagrams despite the question specifying a Classical analysis; the specification requires an understanding of both. Others analysed on the basis of a fall in AD and made no reference to the impact a change in real wages would have on SRAS. While these approaches were not entirely without merit they did limit candidates to level 2 marks.
- Q4** Many good answers here displaying a clear chain of analysis detailing the impact that the undervalued exchange rate would have on the Chinese economy.

Section B Data Response

- Q5 (a)** Answers to this question suggest that many candidates must launch into answering questions without reading the data. Data response questions give examiners an opportunity to test students' application skills in unfamiliar situations. There is always a conscious effort to be fair to candidates and explain concepts that they may not have come across before. Despite the fact that the second sentence of the second paragraph specifically clarifies the idea of the sense in which PMI may be a leading indicator, a significant proportion of the candidates' answers displayed no insight into how figure 1 often demonstrated the predictive function of the PMI for changes in the UK economy. Many candidates just compared the numerical values as if the scales were in some way measuring the same things. As I stated in the report for AS1, the ability to compare trends and describe relationships between 2 or more pieces of data is an important skill for any A level economics student.
- (b)** This was answered well by most candidates; however a minority failed to clearly define the time element of a recession.
- (c)** This question produced some good answers but some candidates failed to clearly develop how falling confidence could impact on macroeconomic outcomes. Some candidates worked on the basis that all investment was FDI. Candidates should be aware that investment and FDI are not exactly the same thing. Many answers which gained marks in the Level 2 range would have been improved by use of a diagram. Candidates should be aware that they will gain credit for the effective use of economic diagrams even when they are not specifically asked for in the question.
- (d)** There were some very good answers to this question but many candidates failed to develop their answers beyond an examination of monetary policy. Candidates should note that when they are invited to assess whether a particular policy is the best one available in a particular set of circumstances they should consider the strengths and weaknesses of alternatives as well.

Section C Essay

- Q6** This was the overwhelmingly the most popular question. However, many candidates completely failed to address the economic inactivity part of the question. A further failing amongst some was a lack of evaluation of the effectiveness of policies or what costs they might impose.
- Q7** Not a popular question despite a very similar one appearing a few years back. While there were a few really good answers weaker candidates failed to answer the question asked or focused solely on the impact of supply side policies on workers while ignoring the impact supply side policies might have on the environment.

Assessment Unit A2 1: Business Economics

As the first A2 paper of the new specification and the revised examination format there was some lingering apprehension among the senior examining team with regard to how candidates would perform. It is pleasing therefore to note that the question paper was well answered for the most part.

The range of marks awarded would suggest that the paper was successful in allowing candidates of all abilities to respond positively to the questions asked. Indeed there appeared to be fewer really poor scripts. The mean mark for the paper was in line with previous series in the legacy specification when adjusted for the new mark allocation of 90.

The language used throughout the paper was at a level appropriate for A2 students and there was little evidence of candidates experiencing problems in interpreting questions or data.

Most students made an attempt to answer all the required questions and there did not appear to be any significant problems for candidates in completing the paper within the available time.

Section A: SAQ

It was pleasing to note how well prepared most candidates were for the type of question presented in this section with a significant number of candidates achieving scores in excess of 80% of the available marks. Indeed quite a few students scored full marks in this section.

- Q1 (a)** The best candidates identified the appropriate price and quantity and as a result were able to calculate total revenue accurately. However a significant number assumed that the profit maximising price was £4 rather than £8. Others ignored the fact that the quantity axis was in thousands and so did not achieve full marks. Others still omitted the £ sign in their answer and as a result did not achieve full marks.
- (b)** Most candidates identified the appropriate price and quantity for the revenue maximising point and calculated the increase in revenue that would occur if the firm switched from profit maximisation to revenue maximisation.
- Q2 (a)** While stronger candidates calculated the ATC of producing 300 units with ease, a significant number made some very basic errors in calculation, highlighting a potential area for teachers to focus on more carefully. The most common error was calculating total cost rather than average total cost.
- (b)** This was a very straight forward question which was well answered by a significant number of candidates.
- Q3** This was a really straightforward question which was well answered by the vast majority of candidates.
- Q4** This question produced a large number of really good answers with the best candidates able to use diagrams effectively to illustrate the likely impact on total revenue of a shift towards perfect price discrimination. Some answers went beyond the scope of the question and considered how effective this pricing strategy was likely to be in the real world. While candidates were not penalised for doing so, no additional credit was awarded for such insights.

Section B Case study

- Q5** (a) This was a really straightforward question which was well answered by most candidates
- (b) This question was not as well answered as might have been expected. Weaker answers focused solely on the difference between the market share, when calculated by the number of subscribers, versus the sales revenue of the firm. However better candidates produced broader answers which considered a range of additional difficulties.
- (c) This question was a very good discriminator and produced a range of answers, though very few reached the top end of Level 3. The best candidates explained the concept of a natural oligopoly and applied it to the mobile phone market. Weaker answers simply wrote about oligopoly in general terms or failed to apply their answer to the mobile phone market. The very best answers used diagrams to illustrate the concept of a natural oligopoly and examined the extent to which the UK mobile phone market could be described as a natural oligopoly.
- (d) While this question was generally well answered, too many candidates focused on why the EU competition authorities should have allowed the merger to go ahead but ignored the alternative policies they could have applied to ensure the market worked well for consumers. The best answers analysed and evaluated a wide range of alternative policies and importantly the likely impact of each policy on consumers.

Section C Essay

- Q6** This question was slightly less popular than Question 7. While it was well answered by a large number of candidates, too many focused on comparing the outcomes under both models rather than comparing the underlying assumptions and whether they were likely to be replicated in the real world. That said however, there were a few really excellent scripts which challenged the assumptions of both models and applied the theories to the real world.
- Q7** This question was marginally more popular than Question 6, though performance was broadly similar. The best answers were full of real world examples of both price and non-price competition and crucially they evaluated how each of the price and non-price policies would impact on consumers. A small number of candidates discussed their personal experience of shopping in Lidl and how they, have been or might be, impacted by shift from price competition to non-price competition. This application of economic theory by candidates to their own experience should be encouraged as it adds greatly to their answers.

Assessment Unit A2 2: Managing the Economy in a Global World

Performance on this paper was not as strong as on the AEC11 paper. This may well reflect the fact that students find the material in this section of the course inherently more challenging or less relevant to their every-day experience.

The language used in the paper was deemed to be at a level appropriate for A2 students, though it was of a more technical nature than in AEC11. There was little evidence of candidates experiencing problems in interpreting questions or data.

Most students made an attempt to answer all the questions and there did not appear to be any significant problems for candidates in completing the paper within the available time.

Section A

Performance in this section was significantly lower than in AEC11, with very few candidates scoring full marks. In AEC11 candidates seemed well prepared to use the data given to illustrate or exemplify the concepts required in the question. In this paper there was a tendency to either ignore or underuse the data when answering questions. Candidates should be reminded that when answering questions which specify the use of data provided, that they are expected to use the data in their answer. Unfortunately some candidates seemed unprepared to go beyond a verbal summary of general theories related to the particular topic at hand.

- Q1 (a)** This was a relatively straight forward question which should have allowed most candidates to start the paper on full marks, however this was not the case. A2 candidates should be aware that a question of this nature needs more than “one country produces more of one of the goods”. They should also be aware that when the question asks for an explanation, “using the information in the table”, a specific, relevant example is required.
- (b)** This was a relatively more demanding question which was designed to discriminate effectively between candidates of differing abilities. In this sense the question worked well. While some candidates were able to illustrate the mutual gains from trade, it was disappointing to note that most candidates struggled to demonstrate how both countries could benefit from specialization and trade. Some candidates did progress to demonstrating total potential output after specialization but did not go any further. Candidates should be aware that a demonstration of mutual benefit must involve an illustration of greater potential consumption opportunities for each participant in trade.
- Q2 (a)** It is encouraging to note that a significant proportion of candidates were able to calculate the quantity of microwaves that would be imported after the imposition of the tariff and multiply that appropriately by \$40.
- (b)** Most candidates, again, made a good attempt at this quite demanding task. The most common defect – all too common, unfortunately – was to fail to identify the element that represented increased producer surplus for domestic producers.
- Q3** This was a challenging question and it was pleasing to note that some centers had admirably equipped candidates with the skills required to interpret the change in ERI and thence to state that the Marshall-Lerner condition would not be met in the short term. However, this question had the lowest facility value of any on the paper despite the fact that candidates got some credit (at Level 1) just for showing insight into the Marshall-Lerner condition.

Section B Case study

- Q4** (a) Too many candidates adopted a simply narrative approach in answering this question, thus the mode mark was 2. Indeed too many failed even to provide an accurate summary of the trends in the table.
- (b) This was a relatively straightforward question which should have allowed most candidates to gain marks in the Level 3 range. However performance was disappointing. Candidates at this level are expected to have progressed beyond using the terms “investment” and “FDI” as if they were fully interchangeable in terms of what prompts them and what their consequences are. Several answers suggested an inability to distinguish between foreign direct investment and short-term, speculative flows of “hot” money.
- (c) Performance in this question was relatively strong, despite the fact that candidates were not expected to predict consequences of the UK’s withdrawal from the EU, but rather to explain why monetary authorities reacted cautiously in terms of the pre-existing state of the economy, the expectations of economic agents in and outside of the UK, and impacts to the UK economy of deterrents to its important migrant labour force.
- (d) Only a few candidates were unable to explain what monetary and fiscal policies involve, but evaluation was often scant. For example, an evaluative approach might question the source’s assertion that monetary policy hadn’t worked, and would almost certainly need to focus on negative aspects of ratcheting up fiscal intervention. Possible consequences of fiscal measures such as crowding out or impact on the deficit could have been mentioned by more candidates. Nevertheless, it is pleasing that, in many answers, candidates recognised and intelligently discussed possible supply-side implications of many aspects of expansionary fiscal policy.

Section C Essay

Must like in the AS papers, evaluative skills were generally more evident in the essay answers than in the final data response question.

- Q5** This was the less popular of the questions in this section. Mean performance in this question was lower than on the development question, although this would not be nearly so pronounced if the disappointing number of really poor answers were disregarded. For example, a significant number of candidates were well prepared for a question on how to deal with a deficit and preferred to answer that rather than the actual question set. Unfortunately for these candidates an approach of that nature gained little reward

A significant minority of candidates seemed to think that the financial account recorded trade in financial services and hence their answers suffered greatly. At the top of the spectrum there were answers which responded to the cue about ownership of firms in the UK by questioning bland assumptions that, “since the national accounts always balance overall, there is nothing to worry about”. It is discouraging, though, that really poor responses still display the conviction that it’s the government which sells exports and buys imports, and confuse totally different types of surpluses and deficits.

Q6 It's probable that many candidates choose this question because they are genuinely interested in the topic, and this may explain higher average score recorded in this question.

There were some excellent answers which fully evaluated the weaknesses and strengths of both trade and aid. Weaker answers tended to focus on the problems of aid, failing to recognise its advantages and had little to say on the subject of trade beyond a few platitudes that it might be better.

It is worth noting generally that some candidates spend a lot of time defining terms and very quickly gain marks for knowledge and understanding but by continuing this approach are unable to provide sufficient evaluation or judgement to gain the marks available for A04 and progress up the levels.

Also, as a general note to centers, it would be helpful if candidates using continuation sheets ensured they were clearly labelled and secured to their answer booklets.

Some candidates answered the same question in different parts of their booklet and it can be difficult for an examiner to determine which answer to connect with which question. So correct labelling of responses to questions is important.

Contact details

The following information provides contact details for key staff members:

- **Specification Support Officer: Arlene Ashfield**
(telephone: (028) 9026 1200, extension: 2291, email: aashfield@ccea.org.uk)
- **Officer with Subject Responsibility: Jill Armer**
(telephone: (028) 9026 1200, extension: 2426, email: jarmer@ccea.org.uk)