

GCE



Chief Examiner's Report Economics

Summer Series 2019



Foreword

This booklet outlines the performance of candidates in all aspects of this specification for the Summer 2019 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 section on our website at www.ccea.org.uk.

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GCE ECONOMICS

Chief Examiner's Report

Assessment Unit AS 1 Markets and Market Failure

Overview

While this paper was deemed by the senior examining team to be of a broadly similar level of challenge to the previous 2 series, performance in this unit was not as strong as 2018 or 2017, with the mean score in the paper falling from 45.4 in 2018 to 42.2 this year. Examiners noted that there were fewer scripts at the top end of the performance range, with the data response section being particularly disappointing. The language used throughout the paper seemed to be at a level appropriate for AS candidates and there was little evidence of candidates experiencing problems in interpreting questions.

Most candidates 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.

Section A: Short answer Questions

Q1 Part (a) of this question was well answered with most candidates able to correctly calculate the opportunity cost as 35 washing machines.

While Part (b) was well answered by most candidates a significant number of candidates lost marks through basic mistakes such as neglecting to label their diagram or failing to either explain what specialisation and the division of labour is or why it would cause the PPF to shift to the right.

Q2 While this question was generally well answered a few candidates confused total utility and marginal utility and hence lost marks.

Q3 Part (a) of this question was well answered with most candidates correctly calculating the total revenue to be £157,500. However a significant minority lost a mark through failure to include the £ sign

Part (b) was equally well answered but again some candidates lost a mark by not including the negative sign in their answer.

Q4 This question was less well answered than would have been expected since it tested a key economic concept in a very similar manner to a previous series. One glaring error was the inability of a large number of candidates to subtract £20,000 from £1.87 million.

Q5 This question produced the full range of responses with a fairly equal division across all three levels and hence served as a very good discriminator. The most common error by those who scored Level 2 marks was a failure to recognize the impact of an ad valorem tax on the supply curve as opposed to a specific tax.

Data response section

As stated above, performance in this section was disappointing when compared to previous series.

Q6 Unsurprisingly, Part (a) of this question was well answered by the vast majority of candidates.

Part (b) however was not well answered with the modal mark occurring in the Level 1 range. It was particularly disappointing to note how few candidates even understood the concept of price elasticity of supply let alone why it might be more elastic in the long run. A significant number of candidates discussed price elasticity of demand and hence gained little credit.

While most candidates seemed to understand the key concepts being tested in Part (c) of this question, answers typically lacked both the breadth and depth of analysis required for a 10 mark question. It was particularly disappointing to note how few candidates referred to concepts such as cross price elasticity of demand when dealing with the interrelationships between markets.

Part (d) produced some excellent answers which discussed not only why government intervention could be problematic but also gave excellent examples of both successful intervention and government failure. However too many candidates simply reproduced material from the source with little attempt at analysis or evaluation.

Section C

Q7 This question was the more popular of the two essay questions; however candidate performance was limited by two common failures. Firstly a complete failure to deal with the wealth inequality aspect of the question or secondly a tendency to list a wide range of policies to deal with inequality without any attempt to critically evaluate their impact.

Q8 This question produced a range of answers, though very few reached the top end of Level 3. While most candidates seemed well versed in some of the factors which might explain why a demand curve could slope upwards very few competently explained why demand curves are assumed to slope downwards.

Assessment Unit AS 2 Managing the National Economy

Overview

Overall the paper was well answered with a wide range of marks. Responses to some questions indicated candidates were not as familiar as would be expected with some of the basic concepts on the specification. In the higher mark questions good answers showed well-structured chains of analysis and well planned answers. Question 7 (a) did not appear to have impacted upon candidates, either in the quality of answers to subsequent questions or the timing in answering the paper. Indeed the mean mark for this paper was 42.9 up from 40.7 in 2018 and the first time in quite a few years that the mean score in AS2 was higher than the mean score in AS1.

Section A: Short Answer questions

- Q1** Most candidates answered this question well correctly identifying the base year and calculating inflation. A small number showed lack of awareness of index numbers by calculating the answer to (b) by simple subtraction. Use of index numbers is a key numerical concept across the subject as identified in the specification and the additional supporting material.
- Q2** Whilst many candidates got this question right a small number failed to use the correct method and scored no marks.
- Q3** Most candidates made a good attempt at the question. An inability to correctly label the axes or identify the line of perfect equality was the main error. A small number of candidates clearly had little recollection of the concept of a Lorenz curve and produced all manner of strange diagrams.
- Q4** In this question (a) was generally well answered, though a small number of candidates added all components and neglected to subtract imports. Part (b) was not well done. Many candidates were completely oblivious to the concepts of factor cost and market prices. A significant minority of those who were familiar with the concepts decided that it was best to add indirect taxes and subtract subsidies. Part (c) was well done, though many candidates lost marks needlessly by failing to calculate the deficit as \$0.5bn.
- Q5** Whilst both parts of this question were generally well done some candidates lost marks by neglecting to state that the units were pounds or to correctly identify the magnitude of their answer.
- Q6** This was generally well answered with clearly labelled diagrams and good chains of analysis to explain how the rise in interest rates would impact on price level and output.
- Q7** The printing error in Fig. 1 meant that all candidates were awarded full marks for Question 7 (a).

There were some very good answers to Part (b) with a significant number achieving full marks. These answers typically looked at the impact on both government spending and revenue and examined returns from a range of direct and indirect taxes. Weaker answers tended to focus only on the revenue or expenditure side. In Part (c) a significant minority did not seem to even understand the concept of real wages let alone how a reduction in the value of the pound against the euro could impact on them. The stronger answers however made clear linkages between the depreciation, the rise in import prices and likely further cost push and demand pull inflation. In (d) many candidates were unaware of what underemployment was or why it should be a concern. Better candidates were able to suggest reasons as to why objectives other than unemployment might be a higher priority.

- Q8** Performance in this question was less impressive than in Question 9. Many answers were one dimensional and did not look at monetary policy despite the fact that it was mentioned in the stimulus. Potential problems associated with boosting spending were often neglected. Stronger answers looked at issues such as inflation and how spending could be paid for. This was a question where answers would have benefitted from well labelled and explained diagrams.
- Q9** This question was slightly more popular and performance marginally better than Question 8. Weaker answers tended to focus on the calculation of GDP and identified issues such as double counting or the impact of inflation as reasons for abandoning GDP. Stronger answers however were able to effectively engage with the problems of GDP as a measure of well-being, exploring issues such as income inequality and externalities. Despite this, a lot of answers tended to be overly fixated on the weaknesses of GDP with a comparatively small number addressing the issues of why GDP was a useful measure.

Level A2 Subject Overview

While overall subject performance in 2019 is in line with both expected outcomes and previous series, a noticeable gap has opened up in recent years in the relative performance in AEC1 and AEC2.

In AEC1 the mean score was up by less than 0.3 marks from last year at 52.2. In AEC2 the mean score dropped again this year to 45.3. While this may be a reflection of a slightly more challenging paper and possibly the more difficult subject material associated with macroeconomics, it is a cause for concern among the senior examining team that average performance on AEC2 is now about 7 marks lower than in AEC1.

Scrutiny of scripts would suggest that candidates are better prepared to answer the type of question that appears in all 3 sections of AEC1 than they are in AEC2.

Assessment Unit A2 1 Business Economics

Overview

As stated above the mean performance in this paper was almost identical to previous series. The tiny change in the mean score between 2018 and 2019 meant the grade boundaries were again unchanged from the previous series.

Performance across all 3 sections was relatively strong and there were very few really poor scripts. The language used throughout the paper seemed to be at a level appropriate for A2 candidates and there was little evidence of candidates experiencing problems in interpreting questions.

Most candidates 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.

Section A: Short answer Questions

Q1 Part (a) of this question was generally well answered with most candidates able to distinguish between the fixed and variable costs. A notable error was simply stating that fixed costs didn't change and variable costs did, without any reference to the level of output.

Part (b) was again generally well done however a significant minority seemed to feel they had to do more than simply find 22.7p as a percentage of £2.85

Part (c) was less well done and so acted as a very good discriminator.

Q2 This question was generally well answered with the best candidates able to both explain the law of diminishing marginal returns to the variable factor and identify when they set in. A significant minority however confused marginal returns with average returns.

Q3 Part (a) was generally well answered with most candidates able to both explain and identify the MES.

Part (b) was less well answered with a significant number of candidates failing to apply the concept of a natural monopoly to the UK electricity generation and supply industry.

Section B Case Study

Q4 Part (a) of this question was well answered by the vast majority of candidates, with only a small number failing to manipulate the data effectively to show relative changes.

While part (b) was well answered by a number of candidates, a large number of candidates lost easy marks by making careless errors when drawing diagrams.

Part (c) produced a wide range of answers though fewer than expected reached Level 3. This lack of top end performance was mainly due to candidates producing answers which focused solely on strategies that aimed to increase revenue or decrease costs but not both.

While Part (d) produced some excellent answers, which were able to provide contemporary examples of firms who did not exploit workers or the environment, too many candidates simply agreed with the view in the question without any attempt to critically evaluate it.

Section C Essay section

Q5 This question was significantly more popular than Question 6, however performance was quite mixed. While there were quite a few solid answers, very few reached Level 4, mainly due to a lack of scope or a lack of accurate diagrams to illustrate the points made. As there were so many potential aspects of this answer that could have been supported by a diagram, it was disappointing to note how few candidates actually attempted to integrate them into their answer. Where diagrams were used they often lack precision or accuracy and hence added little to the analysis.

Q6 While fewer candidates chose this question, the mean mark for the question would suggest that it was no more difficult than Question 5. It is clear from the answers that candidates are well versed in the different types of price discrimination and are able to analyse their impact on revenue and community surplus. While the majority of candidates mentioned that price discrimination was unfair, very few were able to critically evaluate this idea. Fewer again even considered the likely effectiveness or otherwise of government attempts to outlaw it.

Assessment Unit A2 2 Managing the Economy in a Global World

Overview

As stated earlier, performance on this paper was disappointing compared to performance in AEC1. Another notable feature of responses to this year's paper was a greater than usual unevenness in candidates' performance between different sections of the paper. Many candidates scored proportionately more highly on the case study questions than in Sections A and C, while others may have been well prepared for extended written answers and scored as much or more out of 30 for Question 7 in particular than for weaker answers in the parts of the paper worth 60.

Confusions in terminology which detract from candidates' answers or introduce elements of ambiguity into otherwise valid responses were also very common.

For example the use of "FDI" as shorthand for all sorts of gross fixed capital formation is unwise and unhelpful, but increasingly, and possibly more costly in terms of clarity, so is use of the term "productivity" as a supposed synonym for "output".

It's never easy to gauge accurately whether or not candidates have been under significant time pressure. On some scripts in which questions were answered out of sequence, the final section to be attempted was quite often incomplete or of inferior quality, but more often than not this appeared to be due to candidates' uneasiness with the material rather than shortage of time.

In many cases, time was misspent, as candidates failed to focus accurately on the tasks involved in answering different sorts of question.

Section A: Short Answer Questions

- Q1** Most people got this, but a surprising number appeared to have absolutely no recollection of ever studying the Fisher equation of exchange or the quantity theory of money.
- Q2** Performance in this was quite disappointing with a significant number of candidates simply dividing 1.31 by 1.12. Indeed performance was much better on a similar question which appeared this year on the AS2 paper!
- At A2, candidates should recognise this is illogical. The comparisons with the UK£ show that the euro has a higher value than the dollar, so the sum should involve dividing the smaller value by the larger one to yield an answer less than 1.
- Q3** (a) It was pleasing that most candidates scored well on this question
- (b) It would have been even more pleasing if more had realised that Samland's domestic opportunity cost of two bananas for two additional apples is higher than the trade price. Worryingly, a strategy some candidates adopted when they felt they could not answer this question was to write at length about Ricardo's theory. This is inadvisable for a component worth only 2 marks.
- Q4** (a) The mode mark was 1, for a partially valid definition; there were very few 'zeros', and few 'twos'.
- (b) Statistically, this was the best-answered question on the paper, which is not surprising since it involved a fairly simple calculation.

- Q5** This question was not well answered. Sadly, some candidates did not even draw a good diagram just to show the impact on Pakistani domestic growers. Few people produced the very acceptable (and accessible) answer illustrated in the mark scheme, although some capably analysed a situation in which the subsidy had initially enabled Pakistani producers to undercut the world price. Many suggested that the price paid by consumers would rise. Some candidates lavished time on questioning usefulness and even morality of subsidies - even as the exclusive focus of their answer.

Section B: Case study

- Q6** Part A: It is common for a failure in this question part to be due to simply providing a commentary on trends, or whatever, but here some candidates wrote a lot and manipulated some figures without gaining full marks because they made no significant attempt to comment, as required, on the balance of trade in goods between the two countries. Another regrettable lapse in examination technique was explaining at length why there might be such a gulf in the balance of trade in goods between the USA and China when all the first question of a case study invites candidates to do is to study, interpret and report.

What they discover may be useful in answering subsequent questions, but what they need to do is show that they see what a specific set of data, presented in a particular way, actually means. It is as if they are being invited to explain to a lay person the significance of some specialist economist's information, so the best candidates compare and comment on the difference between the two countries' exports of goods to each other, modifying the data as necessary, (in this case most simply into percentage terms), to make its importance readily understandable.

Part (b) produced a full range of answers. A disproportionate number of candidates complicated their answers by trying to explain things which the question had not asked for, such as the benefits and pitfalls of monetary policy.

There were fewer misunderstandings or misinterpretations in Part (c) than elsewhere but this did not lead to significantly higher average performance than other question parts. The most common failing was to catalogue positive benefits only without identifying the two-pronged risk of higher inflation, or potential harm to workers or the environment.

However, having correctly inferred that there might well be an increase in US demand for exports from China, quite a few candidates went on to state that this would lead to an increase in Chinese productivity. While this is not impossible, it is a long way from being something which follows automatically, whereas an increase in demand for a country's exports will almost certainly result in higher output.

In Part (d) a lot of responses appeared to be prepared answers on advantages and disadvantages of a tariff without looking at broader issues of a trade war. Answers to this part suggest that candidates could improve their skills of incorporating data from the sources. It is important to read the stimulus material carefully, because it may provide useful clues or adaptable ideas, but simply to lift points from the text without interpreting or modifying them in any way does not add significant value to an answer. Answers here were more clustered within Level 2 than in other higher-value questions.

Section C: Essay section

- Q7** This was, by far, the preferred option, and many answers were excellent, showing mature insights and interesting application far beyond the merely theoretical. Some weaker answers listed features of globalisation as “good things”, and then proceeded to list almost the same list of features as “bads”. As in the comment to the previous question, it is unsatisfactory to see “inequality, cultural erosion and political instability” quoted verbatim from the question preamble as drawbacks, “representing” “evaluation”, when how these negatives come about and what they involve are not even cursorily discussed.

The following comments may help explain why candidates who have written a great deal may be disappointed at receiving a fairly low mark. Candidates were instructed in the last line of the question - which indicates the task involved - to “critically examine the impact of globalisation on the UK economy”.

Analysis that “the strong do what they can, the weak suffer what they must”, so that MDCs may seize the benefits of globalisation at the expense of LDCs is not itself incorrect, but a lengthy digression into a worsening of inequalities between richer and poorer nations is not, in this context, a fully productive use of limited examination time. Another example of an approach taken by candidates who evidently know some economics, but are hampered by shortcomings in examination technique, was to devote pages of explanation to how comparison of specific areas below Lorenz curves enables economists to assess degrees of income inequality. An effective response to the cue in the stimulus material may be to recognise that globalisation increases effective purchasing power for some, (e.g. - by cheaper imports), while undermining the livelihoods of others (e.g. - by leading to decline of no-longer competitive domestic industries). Detailed definitions of income inequality are of limited value without explaining why people affected differently have radically different ideas on globalisation. These are not the only ways in which candidates spent time unwisely, but they may illustrate some of the things examiners aren’t looking for in extended written answers such as these.

- Q8** Only about 12% of candidates chose this topic. It is encouraging that not many candidates wrote exclusively about balance of payments issues, but there was still quite a lot of ambiguity. From a detailed list of possible areas for investigation in the mark scheme, good candidates between them considered all of them in some way, but there were proportionately fewer really good answers than to question 7.

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