



GCE A LEVEL EXAMINERS' REPORTS

**ECONOMICS
A LEVEL**

SUMMER 2022

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ECONOMICS
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Economic Principles

General Comments

Many candidates found Section A (the multiple choice) quite difficult, indeed there were a few challenging questions and also some which involved the interpretation of quite complex data. Nevertheless, a small number of candidates managed full marks on this section which had a mean mark of 9.9. Anecdotally it appeared that questions 2, 10 and 12 posed the greatest difficulty for candidates.

In Section B question 23 on the terms of trade proved to be a challenge for many candidates and also to a lesser extent question 25 on the relationship between interest rates and economic growth. Questions 24 and 26 seemed to be more accessible to candidates. There were four 8-mark questions in Section B and many answers lacked the depth of analysis and strength of evaluation necessary to achieve the high marks. However, most of the candidates appeared to have enough time to finish the paper although a small minority left whole questions unanswered. It is important that candidates take greater care with the presentation of their work – especially handwriting which in some cases was very hard to read. More accuracy with diagrams is important, far too many were carelessly drawn, often without a ruler.

Comments on individual questions/sections

- Q.21** In part (a) most candidates correctly calculated the concentration ratio as 75% but a significant number gave an answer of 81%, incorrectly believing that 'Others' was a company. In part (b) it was expected that oligopoly would be the correct market structure identified from the data, but examiners also allowed a working monopoly given that Spotify had a 36% market share. Mean mark: 2.5
- Q.22** In part (a) the vast majority of candidates stated correctly that it would be horizontal integration if there had been a merger between Sainsbury's and Asda. In part (b) diagrams were of varying accuracy with many candidates confusing sales revenue maximisation ($MR=0$) with sales maximisation ($AR=AC$). Chains of reasoning explaining exactly how a switch to revenue maximisation would increase Sainsbury's market share were often rather vague. Mean mark: 3.0
- Q.23** This was a challenging question requiring candidates to discuss what happened to UK terms of trade after the EU referendum. Unfortunately, many candidates confused the terms of trade with the balance of payments and wrote about changes to exports and imports. The best candidates were able to show what was meant by the terms of trade and to then go on to describe the initial deterioration in the UK terms of trade after the depreciation of the pound in 2016. Good evaluation pointed out that there was some recovery in the terms of trade during 2017 when the pound appreciated but some went further by saying that the data only referred to the exchange rate of the pound to the dollar, not a range of currencies. Mean mark: 3.1

- Q.24** This question was quite accessible for the majority of candidates. There were some accurate well labelled diagrams shifting AC and MC to the left clearly showing how profit would fall following the rise in wage costs. This was then supported by clear analysis. Evaluation was often on the lines of many firms having very few if any workers being paid the NMW or that higher pay motivated workers to be more productive resulting in no impact on costs. Surprisingly a large number of candidates made no reference to the data thus losing credit for AO2. Mean mark: 4.9
- Q.25** This was a challenging question with many candidates struggling to find clear relationships in the data. However, the best candidates identified from the charts periods that showed an inverse relationship between interest rates and economic growth and then went on to explain using economic theory why this may occur. The key to good evaluation was to use the text below the charts that mentioned the fall in global oil prices and the drop in the exchange rate in 2015. From that it could be deduced that these may have caused the big fall in economic growth in 2016 as oil revenues fell. However, it was possible to approach this question successfully from other angles given the importance of time lags between a change in the interest rate and its impact on economic growth. Mean mark: 4.1
- Q.26** Most candidates were able to tackle this question with a degree of success. Many drew demand and supply or externalities diagrams to support the idea of a tax on meat. There was often good use of economic theory (externalities/market failure) supporting the policy. Evaluation often pointed to the fact that all types of meat would be subject to the tax but clearly beef was the most damaging to the environment, or that electricity production was a more damaging pollutant than meat. Candidates were required to use the data to support both sides of their discussion. Mean mark: 4.6

Summary of key points

- Data used in questions in both sections of the paper needs more accurate interpretation by candidates.
- Better knowledge via diagrams needs to be shown of the difference between the maximisation of profit, revenue and sales.
- Many candidates did not maximise the marks they could have obtained from AO2 in Section B.
- Some candidates need to develop a greater understanding of how to construct sound chains of reasoning.
- Improve handwriting skills.

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Exploring Economic Behaviour

General Comments

The paper produced a wide range of responses, allowing the strongest candidates to demonstrate the full range of their skills whilst still being accessible to candidates with a less complete knowledge and understanding of the subject.

Component 2 is one of the places that the numerical skills aspect of the qualification can be assessed. As has often been the case, this assessment took the form of testing the ability to interpret and make use of a wide range of graphical data presented in a variety of forms. Whilst this can make the case studies look long, there was no evidence that candidates struggled to finish the paper. As is always the case, candidates with a stronger command of economic theory had more time available for exploring and commenting on the nuances of some of the data because they could outline routine theory swiftly and effectively. Candidates with a less secure knowledge of the content clearly spent more of their time working on explaining the underlying theory, giving them less time to access the case study material fully.

The first of the two cases illustrated the synoptic nature of this paper, blending a range of micro and macro issues. The best responses were able to treat the case on its merits using information as seemed appropriate rather than sticking to 'macro' data for 'macro' questions and 'micro' data for 'micro' questions. The second case also showed how questions can cut across wide swathes of these specification, covering areas ranging from narrow economic theory through to development economics. Again, the best responses came from candidates who simply thought about what they had read and who were able to make cross-connections between different areas of specification content, which is the entire purpose of this paper in terms of the assessment suite.

The case studies were written with readability in mind, in the hope that candidates would make more use of the material. This year, very few candidates ignored the case study material entirely, with a high proportion making good use of it throughout both questions. Whilst weaker responses tended to simply regurgitate the data without analysis, stronger responses were able to apply economic theory competently to the situations outlined, suggesting that a higher proportion of candidates are studying real-world scenarios and data as a routine part of their studies.

Taken as a whole, the paper fell comfortably within the parameters of those set to this point with a substantial amount of graphical and written material, but tailored for readability and accessibility. It successfully carried out its function of testing candidates' ability to apply their knowledge to new and unfamiliar situations.

Comments on individual questions/sections

Q.1 This question contained the larger amount of graphical information, although only figure 5 was truly challenging in terms of demand and even then a text summary was produced at the top of each of the two charts to ensure that all candidates could access the information to come extent. Taking the questions individually:

- (a) The term 'outline' is taken from the Eduqas command word list and indicates that the question is knowledge based – hence the question required an accurate cost/revenue diagram and a short link back to the context. As is often the case with the first question, most responses were over-long. Unlike previous years, however, a large proportion of responses produced a strong diagram, with the most common error being to shift MC as well as ATC or less frequently to shift AR without shifting MR.
- (b) This was one of the questions that differentiated the best. Whilst some marks were available for simply making the link between foreign investment inflows and house prices and for showing some understanding of the balance of payments, the best responses were able to demonstrate a full understanding of the inter-relationship between the current and financial/capital account. The best approaches understood that a current account deficit would be 'financed' by a financial/capital account surplus and that this was the origin of the inflows of funds into the property market.
- (c) This was one of the best-answered questions on the paper. Testing what for most candidates would have been year 12 material, most responses were able to incorporate an accurate maximum price diagram, refer to it and then make good use of (usually) the text-based information from the case. The best responses showed a sympathetic understanding of the issues of homelessness (although this wasn't required) and were able to link the issues back to some of the macro currents within the case (although again, this wasn't required). A good number of responses scored full marks for a clear two-sided argument about maximum rents, anchored into the case and with a solid overall judgement.
- (d) This question was also well-answered. There was a lot of information that could be used throughout the case and the best responses were able to pick the relevant issues and then analyse *how* this would be likely to affect house prices rather than asserting that it would be so. Likewise, strong responses looked to link pieces of information together, with a common approach being to link the arguments about Brexit back to the forecasts in figure 2. This question allowed the strongest candidates to synthesise micro and macro issues (such as supply shortages in the housing market and central bank monetary policy decisions) into a coherent assessment of the likely direction of travel of house prices.
- (e) Predictably, this question produced a very wide range of responses because it assessed all of the key skills needed to make a successful economist. Firstly it tested whether there was a strong grasp of economic theory (via QE). Whilst weaker responses simply asserted that the money supply would rise, a larger number had a good understanding of the QE process and were able to link through to bond prices and yields.

Having done so, the best responses were able to link up the different evidence on the impact of QE and to build an explanatory argument around those facts. The best responses tended to zoom in on figure 5 and used that as part of their overall evaluation by making a clear distinction between the absolute and relative effects of QE on household wealth, showing a good understanding of why this might be so.

- Q.2** This question was more text-based and a little shorter with more of the questions directing candidates to particular parts of the case. The last question allowed candidates to use their own knowledge in addition to the case, which seemed to help those who were under time pressure (although as noted above, timing wasn't a major factor for most candidates).
- (a)** This was the most disappointing question from the whole series of three papers simply because of the proportion of candidates that didn't know what a recession was, or if they did were unable to show that the slowing growth in Australia was not a recession. At this level candidates will be expected to have a knowledge of basic economic terminology, which is easy to assess in low tariff questions such as this one.
 - (b)** Few responses demonstrated a clear sense of what the savings ratio is (although a definition was given in the question paper) meaning that only the very best responses looked at the implications of a fall in the proportion of GDP saved rather than just a fall in savings. Nevertheless, there were some good answers that went beyond the advantages and disadvantages of rising/falling consumption, by looking at the possible impact on the banking system and investment.
 - (c)** Along with 1(b) this was one of the better answered questions on the paper. The concepts in the questions were straightforward and the evidence from the case was also easy to access. The main error was a tendency by some candidates to write about AD rather than consumption. Whilst this was fully credit-worthy if a link has made back to household behaviour, if the answer simply conflated C with AD then marks were more limited.
 - (d)** This was another question that produced a very wide range of marks. Most candidates could get somewhere, with the question directing them to the text box with all the key information. There were, however, some really well-informed responses which showed that the candidates had a very good understanding of regulation of the financial sector, making reference to cash/capital ratios, direct controls on lending and so on. Although this wasn't required, such answers also showed a good understanding of the consequences of the failure effectively to regulate financial systems in terms of the need to create financial stability, often making good use of the 2008 crisis as a way of developing their points.
 - (e)** Candidates with a good understanding of development economics made short work of this question, producing both breadth and depth of points interwoven with good examples either from the case or their own knowledge, generally concluding that governance was the key factor in determining the extent to which resources were likely to be beneficial. The better answers often made good use of figure 2 to analyse how commodity prices could drive exchange rates and some of the negative consequences of this, with some linking back to the idea of Dutch disease (although this was not required).

Summary of key points

The most successful candidates tended to display the following attributes:

- A deeply embedded understanding (rather than knowledge) of economic theory, which meant that they weren't using time to remember how to explain their points, leaving them free to think about the actual information in the cases themselves.
- An ability to explain and develop the information in the case studies rather than simply appending it as an example.
- Good timing – all of the better candidates had answers that were proportional in length to the number of marks available.
- A desire to treat the case as a whole and to make cross-links between different parts of it, either between macro and micro or between different facets of the case and charts.
- A strong ability to quickly make sense of visual information and then to use it effectively to support analytical and evaluative points.

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Evaluating Economic Models and Policies

General Comments

Despite the difficult learning conditions over the last couple of years with no external assessments it was evident from the standard of answers in this paper that candidates had been well prepared for most of the topics that were examined. Good candidates were able to develop strong chains of reasoning and a high level of evaluation. Diagrams among the strong candidates were accurate, relevant and integrated into the text of the answer. Weaker essays often lacked focus or drifted off the point of the question. A small number of candidates evaluated in the part (a) section of essays which of course is not credit worthy. There remains a problem with the handwriting of some candidates which in a few cases was barely legible. Overall, the standard of presentation could be better.

Candidates on the whole were quite comfortable with Sections A and B of the paper. Question 3 was very popular and arguably the most accessible question of the six. Sadly, a number of candidates who had performed strongly in Sections A and B struggled on Section C. Both question 5 on economic development and question 6 on the balance of payments were challenging, dealing with particular issues that candidates were apparently not always familiar with.

It is important to relate to centres that when candidates are asked for 'factors', 'reasons' or 'policies' it is quite possible to reach full marks if two are covered very well and if necessary evaluated. That is not to say that three is ill advised, indeed some candidates feel more confident with three rather than two. However, it is important to mention that examiners are keen to see depth in both chains of analysis and evaluation. Quoting a whole raft of 'policies' in an essay will inevitably mean that the answer cannot reach the top AO bands as a result of being rather superficial.

Comments on individual questions/sections

- Q.1 (a)** A significant number of candidates struggled to develop an effective chain of reasoning with this question. Good candidates were able to identify issues associated with inequality and were then able to explain why governments would intervene i.e., inequality is associated with lower life expectancy, poor health, drug addiction, crime etc and thus there is a need for government intervention because these problems increase pressure on the health service, social services and the criminal justice system. Mean mark: 4.7
- (b)** This question proved to be quite accessible for those who attempted it, and most were able to analyse and evaluate two or three policies that could be introduced to reduce inequality. The most popular policies were a higher NMW, a more progressive system of income tax and supply side policies to boost skill levels. Top AO4 marks required the answer to include some reference to the UK as stated in the question. Very few candidates were able to provide this which perhaps underlines the need to include some up to date context when teaching certain topics. Mean mark: 11.2

- Q.2 (a)** This was a fairly straightforward question with most candidates able to choose from a wide range of structural and behavioural entry barriers. Identification of two sources of monopoly power were sufficient if accompanied by a clear chain of analysis as to how these helped to sustain dominance in a market. Several candidates confused predatory pricing and limit pricing as sources of monopoly power. Mean mark: 6.7
- (b)** Many candidates failed to reach the top AO bands in this question because they didn't show any knowledge or understanding of natural monopoly, nor did they draw the correct diagram. Most candidates drew the standard monopoly diagram rather than one with continuously falling average costs. The best candidates were able to use the correct diagram well and to introduce real world examples of natural monopolies. It was pleasing to see some candidates explaining how effective regulation can direct natural monopolies to greater levels of efficiency. Mean mark: 9.1

Section B

- Q.3 (a)** This was a very popular question and most candidates were able to identify two or three costs of inflation and show how they impacted on economic agents and the economy. Some chose to write about several costs of inflation and as a result their answers lacked the depth of analysis required for a high mark. A minority of candidates confused the costs of inflation with causes of inflation. Mean mark: 6.4
- (b)** Some answers to this question were rather narrow just focussing on monetary and fiscal policies to reduce AD so as to bring down demand pull inflation. Higher band answers looked at a wider range of policies and recognised the need to discuss other causes of inflation. It was pleasing to note that several candidates talked of the current inflation problem in the UK being caused by cost push factors, going on to say that higher interest rates have a limited effect against this type of inflation. Other candidates successfully introduced quantitative tightening into their answer when looking at monetary inflation. Mean mark: 11.0
- Q.4 (a)** Candidates were expected to explain at least two distinct macroeconomic policy conflicts. Many candidates used the AD/AS analysis or the Phillips Curve to show why there may be a conflict between inflation and unemployment. This was often followed in the answer by the conflict between environmental depletion and degradation and economic growth. There were a range of other plausible conflicts which were creditworthy if they were explained clearly with strong chains of reasoning. Mean mark: 6.0
- (b)** Candidates were required to show the effects of both a rise in government spending **and** a fall in taxation to access the higher AOs. There was often good use of AD/AS analysis, with mention of the multiplier process demonstrating how expansionary fiscal policy will increase GDP when economies face low or negative economic growth. Evaluation was often centred on crowding out, a rising national debt and the dangers of inflation. Strong candidates introduced the Neo-Classical view that a reflationary policy would fail using adaptive expectations theory, NAIRU and the long run Phillips Curve to support their argument. Mean mark: 11.1

Section C

- Q.5 (a)** Candidates were required to identify at least two problems caused by poor governance and then analyse why the problems caused by poor governance hinder economic growth and development. Many candidates equated poor governance to mean just corruption rather than a range of problems including maladministration and a lack of a strong judicial system. Good candidates were able to show how say a lack of an effective tax collection system or the misappropriation of foreign aid would impair growth and development. The best candidates used real world examples from countries they had studied when covering the topic of economic development. Mean mark: 5.6
- (b)** The majority of the candidates answering this question did not seem to have been taught import substitution or export led industrialisation to any great depth. Many were able to score mediocre marks by deducing that the former relied on import controls to drive internal industrialisation and the latter to rely on export led growth. However, there needed to be links to growth and development and enough knowledge and understanding of these policies to produce valid evaluation. Often answers were rather superficial, and marks were disappointing although a minority of answers were very good using examples from LEDCs that they had studied. Mean mark: 8.3
- Q.6 (a)** This was a challenging question as candidates are far more familiar with issues surrounding current account deficits rather than surpluses. Good answers were able to find two or three reasons for long term surpluses with the best candidates using Germany and China as the basis of their answers. The German comparative advantage in high end engineering/cars etc and China artificially holding their exchange rate below its market value were common responses as were the effective use of protectionism or the endowment of a valuable, in demand, natural resource. Mean mark: 5.7
- (b)** Candidates often started their answer to this question quite well explaining that a trade surplus will boost AD and led to a higher GDP and employment. This was shown by an AD/AS diagram which was used as part of the evaluation in that an injection from a surplus could lead to inflation. Some candidates were unsure as to whether the resultant deficit on the financial account was a good or a bad thing. There were many candidates who struggled after making some basic points; few mentioned that an export led economy is more vulnerable to a global recession and that other deficit countries may take retaliatory measures against surplus countries e.g. President Trump against China a few years ago. Mean mark: 9.3

Summary of key points

- Avoid evaluation in part (a) of questions.
- Read questions more carefully e.g., question 2(b) was about **natural** monopoly.
- Ensure knowledge of the specification is broad enough to deal with possible questions from less 'familiar' areas of the content e.g., questions 5 and 6 clearly challenged many candidates.
- Develop a greater understanding of how to construct sound chains of reasoning.
- Improve handwriting skills.



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