



GCE EXAMINERS' REPORTS

WJEC EDUQAS AS ECONOMICS

SUMMER 2016

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ECONOMICS

AS

Summer 2016

COMPONENT 1: INTRODUCTION TO ECONOMIC PRINCIPLES

AS Overview

Taken as a whole, the 2016 AS level Economics examinations have proved more challenging to candidates than the examinations from previous specifications. These challenges seem to have come from 3 main areas.

Firstly, the increased emphasis on mathematical skills has clearly created issues for a number of candidates, especially where these skills have had to be applied to real-world contexts. Questions 1(b), 2(b) and 4(a) from Component 1 and 2(a) and (b) from Component 2 are cases in point.

Secondly, the challenge of applying knowledge to unfamiliar situations has stretched those candidates who prefer to view the subject as a purely theoretical one. This has been particularly apparent in those cases where questions have cut across specification areas or where contexts are non-textbook. Examples of questions where one of these conditions would hold include question 3 from Component 1 (and perhaps to a lesser extent 1(a)) and 1(a), 1(c)(ii), 1(d)(ii) and 2(f) from Component 2.

Thirdly, the importance of understanding rather than knowing economic theory cannot be overstated. Areas where candidates had rote-learned information to their detriment included questions 5(a) from Component 1 and question 2(c) from Component 2.

Other issues which have long been true of economics exams (such as the integration rather than simply the drawing of diagrams) are covered in the question-specific feedback below, but it is the three areas above that have combined to make the 2016 AS examinations an especially challenging one for candidates.

Component 1 – General Comments

A number of candidates came under time pressure here, hence the low facility factor for question 6. Nevertheless 94% of candidates made some attempt at it, even if this was rushed. Ultimately, able candidates with a better understanding of economics will always be able to cover ground more thoroughly and in less time than weaker candidates and this marks an important discriminating factor. Candidates who truly understand economics will see more quickly the point of questions, the theory that is relevant and will therefore be able to come up with a larger number of better-developed points in the time that is available.

Question specific comments

1.
 - (a) This was probably the easiest question on the paper, but weaker candidates were unable to apply the context of inelasticity to the context of XED, preferring to write instead about PED. All elasticities, by definition, can be elastic or inelastic and the ability to have the flexibility to transfer knowledge from one compartment to another marks out the stronger candidates.
 - (b) A significant proportion of candidates were unable to apply the XED figure to the change in the price of beer, gaining very limited credit. Some candidates lost marks because they knew what to do but had failed to use a calculator and some failed to realise that a positive XED means that a rise in the price of beer will lead to an increase in the demand for spirits. A good number of candidates, however, were able to gain full marks here, showing good command of mathematical skills.
2.
 - (a) Wage differentials are a new area on the specification (compared with the old WJEC AS/A2) and generally this question was reasonably well answered. The better answers considered economics theory in the context of medical professionals and applied supply and demand analysis to their hypotheses. Answers which considered length of training, skill levels, likely demand at a given wage rate or that used the table were generally well rewarded. As a long-running theme, there were a large number of answers in which diagrams were drawn but unused (i.e. no reference to them at all) which limited credit available.
 - (b) Clearly some candidates had no knowledge of the difference between the mean and the median, but this requirement is detailed in the numerical skills appendix of the specification. Of those who knew the difference only a minority actually understood the difference and were able to apply their understanding to the context of health professionals, suggesting that the results were likely to be skewed by a small number of medically-expert/specialised high earners.
3. This was a question that attracted a wide variety of responses, many of which were credit-worthy. The most common analysis was to view the issue through the lens of information asymmetry, but other answers used transport externalities or inequalities as an approach. Generally the quality of responses depended on whether candidates understood (rather than just knowing) what market failure meant. Where they did, they were able to explain how information asymmetry (or other market failures) may have caused under-consumption of rail services/abuse of consumers and a consequent welfare loss, implying that resources were misallocated. There was some strong evaluation from better candidates focused on the case itself often centred on Internet access (frequently complemented with dismissive over-generalisations of 'old people who can't use the Internet', showing that the generational divide is alive and kicking).
4.
 - (a) This was, alongside 2(b), the worst-answered question on the paper. The proportion of candidates who appeared not to know the difference between a fall in inflation and a fall in the price level was very surprising. This sort of understanding is surely central to any understanding of real-world economic issues and suggested a distressing lack of awareness of recent macroeconomic trends across the world (as well as, more simply, an inability to read a graph).

- (b) This was generally handled much better with a variety of AD/AS diagrams allowed. Probably the main issue here was the number of answers which treated AD/AS diagrams as some sort of adornment to their analysis rather than an integral part of it, a theme which was also endemic in Component 2. Candidates should understand that it is the ability to integrate and use diagrams to support economic analysis, rather than simply to draw them, that is the crux of a strong response. Some candidates failed to use the context given and inevitably struggled to gain high marks, but in contrast to 4a, this question was generally handled competently.
5. (a) This was another question that separated those who had learned from those who had understood. This question was not about drawing and labelling a tariff diagram, it was about using that diagram to explain economic issues. Simply memorising and drawing the tariff diagram was not in itself credit-worthy, meaning that what was intended as a relatively straightforward diagram explanation question actually produced a dramatic range of marks.
- (b) This was generally well handled with the best answers making good use of the context to think about solar panels rather than protectionism in general. These answers picked up on (and explained) issues such as dumping, the desire of the US to encourage solar panel use, the impact on jobs further down the supply chain the fact that the EU had behaved in a similar fashion and the relative size of the tariffs.
- 6 This was a straightforward question for candidates who left enough time for it. The question was a straightforward depreciation question with a twist because of Russia's import dependency. The best answers gave a clear theoretical exposition of the theoretical effects of a fall in the exchange rate and then developed their answers with strong use of the wide array of data provided to help.

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COMPONENT 2: EXPLORING ECONOMIC ISSUES

General Comments

In format this paper partly resembles the old WJEC EC2, with both containing a 40 mark data, but it is clear that the removal of the essay section, where candidates had choice, has increased the difficulty level of the paper overall, with the entirely compulsory nature of the paper leading to most candidates struggling with at least one of the higher mark questions.

What this means, and this is likely to be replicated at full A level, is that a well-rounded understanding of the course is needed, with the emphasis on understanding rather than knowledge. Although the requirement for understanding is perhaps even more marked on Component 1, it is clear that candidates who tried to learn by rote and compartmentalise their economic understanding performed significantly less well than more rounded candidates, especially on questions 1(a), 1(cii) and 1(dii) which required candidates to apply knowledge across subject areas or to be able to identify the relevant subject area from the context of the data.

This latter requirement was clearly handled much better by some candidates than others; those who had a purely theory-based understanding of economics struggled (particularly on question 1 of the data) to leverage their understanding effectively, whereas the best candidates were clearly both comfortable and familiar with applying their theoretical knowledge to a range of different situations, whilst still retaining the theoretical rigour that gave their answers backbone.

Question-specific comments

1. (a) This question was answered surprisingly poorly with three main errors being common. One seemed to stem from a failure to understand that 'the pound appreciating' referred to the exchange rate, leading to a variety of AD/AS diagrams. The second was a failure to read the data carefully - it is stated clearly that the reason for the appreciation was the expectation of an increase in UK interest rates, but weaker answers wrote about other things from the data, which were generally not relevant. Data response questions which cut across a number of subject areas generally discriminate well, and this was no exception. Finally many answers didn't focus on the expectation of an increase in rates, meaning that only a minority of answers scored 4/4. The ability to think through the context of a question rather than simply repeating learned notes marked out the best answers here.

- (b) This question wasn't answered as well as expected for two main reasons. Firstly a distressingly large minority of candidates didn't know what fiscal policy was, which was obviously disastrous. The other issue was answers that concentrated on expansionary fiscal policy in general rather than in the context of the UK growth situation at the time. Better answers used the slower rate of growth or the fact that the UK was forecast to be the fastest growing developed economy. These are all the hallmarks of candidates who are able to use what they have learned in the classroom to answer questions on pertinent economic issues, which is what the Eduqas specification is focused on achieving.
- (c) (i) This question posed few difficulties, with marks being lost either for ignoring either the demand or supply side factors or failing to use the diagram that was drawn to answer the question. There are only limited marks available for the simple drawing of diagrams - most of the marks are for showing understanding of them, applying them and analysing them.
- (ii) This question required candidates to think about an issue that has been in the news for several years, which has been the collapse of global oil prices. The best answers were able to think about the ways in which the oil price impacts on the economy via both business costs and household bills and often integrated AD/AS diagrams to good effect (although these were not required). Evaluation was easy for candidates who had read the data carefully, generally centering on the reduced significance of oil in general and the negative impact on the UK oil and gas industry itself. A significant minority of candidates thought that a reduction in the price of oil would worsen the UK's trade position, a point which the data itself sought to refute and makes little theoretical or practical sense.
- (d) (i) Income inequality was an area that hasn't been well answered, with candidates showing little awareness of the well-documented negative effects of income inequality. This was pretty disappointing in the sense that economics should be a subject that allows candidates to think about a range of wider, enriching, issues that contribute to their social and moral education (separately from the fact that it is on the specification). Some answers approached inequality from a market failure angle (misallocation of resources and failure to maximise welfare), which gained credit.
- (ii) Most candidates understood progressive taxes but often failed to apply this concept to the issue of reducing income inequality, preferring instead to write well-rehearsed Laffer curve based answers on the advantages and disadvantages of high direct tax rates. Whilst such answers had the potential to be relevant, they were often off-centre, failing to evaluate the effectiveness of a more progressive tax system on inequality. This is both a wider question than simply increasing the top rate of income tax and one that requires a focus on whether it will actually reduce income inequality rather than producing undesirable side-effects (which is where Laffer curve based answers tended to go).

Question 2

This was more of a single-topic based data and was expected to produce higher marks than question 1, but by and large this didn't happen because of weak performance on parts (a) and (d).

2. (a) Few candidates understood what 2010 prices meant, failing even to appreciate that it suggested that the data had been inflation-adjusted in some way. This is a standard concept in economics.
- (b) This produced a good range of answers, with marks generally being lost because of a failure to link back to revenue and/or a failure to use the diagram to explain the analysis.
- (c) This was a polarising question where performance was entirely predicated on a good understanding of the term external cost. Those candidates who failed to understand what the external effect of the costs was, often writing about the negative effects of smoking/agriculture rather than linking back to the key economic context underpinning the question. By contrast there were some brilliant answers which explained really clearly the external costs in the case, often illustrating the difference between private and external costs for extra clarity. Some candidates introduced welfare loss diagrams into their answers. These aren't on the AS specification and generally proved a distraction, encouraging answers which didn't apply to the context.
- (d) For some reason, PES questions always seem to cause chaos and this one was no exception, being the worst answered question across the whole paper (apart from 2(a)). The majority of answers wrote about PED either explicitly (addictive) or implicitly (saying that it shows the effect of a change in supply on price). Even those answers which did write intelligently about PES (using both context very well in terms of growing periods and the actual PES given) often failed to think about the long-term. Very disappointing.
- (e) The key discriminator on this question was the diagram with a very high proportion of answers drawing a diagram with demand shifting to the left, demonstrating a fundamental lack of understanding about both how indirect taxes work and about the difference between movements along demand and supply curves and shifts in them (and a lack of ability to see that an increase in tax won't result in a reduction in price). Even those candidates who drew the diagram correctly omitted to embed it into their answer, limiting the credit available. Otherwise the key difference was in terms of how the data in the table was used. Weaker candidates used the data as a crutch, regurgitating what was there uncritically. The better answers used the content of the table to reinforce their points about deterrence, elasticity, tax yield, wider economic effects and so on, with the best answers looking beyond that to issues such as smuggling.
- (f) Perhaps, a little surprisingly, many candidates who had got the diagram wrong on part (e) suddenly got it right here, possibly because the question contained the words 'to the producer'. Some candidates analysed the effects on the market for cigarettes (rather than cigarette substitutes), this time correctly shifting demand to the left - this approach was fully credited.

The best answers picked up on the evidence in the case and made good analytical use of XED to discuss the likely strength of relationship between nicotine patches (etc) and tobacco.

Conclusion

Taken as a whole, candidates struggled more with Component 1 than Component 2 because of its more technical nature but on Component 2 itself the two data's were handled equally well. The two papers produced a very wide range of responses, allowing the best candidates to score close to full marks with the very weakest candidates struggling to get into double figures, especially on Component 1, suggesting that the 2016 AS exam has done its job.

To reiterate, the candidates who performed the best were those that treated economics as a living subject and who sought to use the principles that they had learned to explain new situations. These candidates had clearly bought into economics and had made it part of their everyday lives. By contrast, those candidates who saw economics as something to be learned from books, as some sort of ivory tower in which it is lines on pieces of paper that matter rather than their application to the real world, were those who tended to suffer as they struggled to apply what they had learned to the new situations with which they were presented.

But in the end, especially at AS/A level, if economics fails to provide a lens through which people can process the world around them via the application of simple tools, then it has failed. The Eduqas AS/A level seeks to test whether candidates are able to do this or not, and the 2016 AS level papers were an effective discriminator in this respect.



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