GCE AS EXAMINERS' REPORTS

**ECONOMICS
AS**

SUMMER 2019

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Component 1

General Comments

The exam successfully challenged the candidates of higher ability whilst still being accessible for candidates of lower ability levels. In the all the questions the maximum mark was achieved, indicating that the questions allowed the more able students to exhibit their understanding successfully. There were a few questions that were more difficult than others, which the more able candidates were typically able to access to a greater extent.
As common on this paper, the format included questions-based data and text questions, where candidates were required to apply their understanding to the unique situation presented. Candidates achieving the higher mark levels were able to apply their understanding in contrast to relying on re-stating pre-learnt theory.

There were a few timing issues with the last three questions on the paper, these questions having a lower completion rate of 96.2%, 90.8% and the final question 81.7%. It is possible that less able candidates found it more difficult to finish the paper completely or they miscalculated as they believed the long answer on question 7 was the final question; though the last question was also an exchange rate diagram question which some candidates typically find harder than traditional market equilibrium questions.

Comments on individual questions/sections

Q.1 **(a)** Question 1 allowed all candidates to perform with a maximum mark of 8 and a mean of 4.1. There were a good number of candidates that successfully calculated the index number using the correct method. However, it still appears to be the case that numerical questions such as this one can be difficult for some candidates where they could not calculate the percentage change or then use this to determine the index number.

(b) The PPF question was answered well, with candidates applying the shift outward and change in balance of the economy toward services, which was indicated by the data. The reasons often were linked to this change but, often, candidates only offered one reason rather than two, which was indicated by the wording of the question.

(c) The most difficult part of the question was part (c) where candidates found it difficult to apply the theory of income elasticity of demand to higher % of GDP from services. Often, candidates relied on just defining income elasticity of demand. The strongest answers realised that the income elasticity of demand would be higher for services and they are not just goods or necessities and, as income rose due to GDP rising, then spending on these services will increase.

Q.2 **(a)** Question 2 appeared to challenge candidates to a greater degree with a mean score of 0.9 and a maximum mark of 4. The maximum mark was not often achieved due to the complexity of the question. Candidates often confused their understanding of division of labour and specialisation. This question was on specialisation, so division of labour explanations were not credited. When candidates did understand specialisation, they struggled to explain the reasoning of why the labour market would be changing in that direction.

(b) Part (b) also challenged candidates, although a proportion attempted to explain the concept that not all needs could be met through a narrow workforce; often, they then found it difficult to link to the question in terms of "an efficient means of exchange".

Q.3 There were some excellent answers to question 3 as candidates understood the characteristics of a private good, applied it to the data provided and debated the extent to which it was true. Often, the strongest answers came to an end judgment on the extent to which it was a private good. Some candidates attempted to explain why it was not a public good and thereby a private good but focused too greatly on the public good without linking it back to private goods. Other candidates did not understand the characteristics of private goods and so found it difficult to access the question, hence bringing the mean mark down to 2.8.

Q.4 **(a)** Candidates appeared to enjoy question 4 and it enabled those that had a good understanding of PED and how to use % change and the co-efficient in their calculations to access up to 6 marks. This style of question has been found difficult by candidates previously and it is still the case that a number of candidates cannot use the numbers to calculate a change in quantity or then, in this case, expenditure.

(**b**) Part (b) required candidates to discuss the usefulness of this PED data for businesses in the health care sector. The best answers related back to the specific PED data previously calculated and attempted to link it to business decisions such as changing price. The strongest answers then debated the extent to which the PED data would be accurate or representative before coming to an end judgment.

The mean mark on this question was 6.9.

Q.5 **(a)** Part (a) assessed candidates' ability to interpret a % change graph. The best candidates understood that the graph was a % change with all numbers being positive and so at no point did homeless decrease, just the rate of increase of homelessness increased and decreased in some years more than others and overall homelessness was still higher but was increasing at a slower rate at the end of the data series. Candidates at the lower mark end preferred to just describe the data points. This emphasises how important it is for candidates to interpret the graphs correctly.

(**b**)   Part (b) intended to assess the proposed rent controls' impact on homelessness. The best candidates here focused on the question directly and, after conducting their maximum price analysis, realised that homelessness is unlikely to be solved by rent controls as the homeless can lack jobs or income to be able to afford the deposits or agent fees charged in advance of renting. Hence, candidates were rewarded for answering the question directly. Generally, there was a good understanding of maximum pricing shown, sometimes with diagrams that were credited. The mean mark on this question was 6 out of 12, possibly due to the accessibility of the use of maximum price theory.

Q.6   Question 6 confused some candidates as they incorrectly interpreted the information in the text as demand pull inflation factors when they were actually cost push factors. There was little credit given for this, but the majority of marks were held for those that had correctly linked the cost push factors to a diagram and explained it accurately.

Q.7   Candidates needed to show an understanding of how interest rates could control inflation and discuss the extent to which it had been successful. Some candidates indicated a very good grasp of the interest rate transmission mechanism and were able to analyse cause and effect in the situations where there was a linkage in the data. However, often candidates misinterpreted the data and did not take into account the time-lag and tried to explain that lower interest rates lead to lower inflation as they could see this supposed correlation on the data presented. Candidates benefit from trying to understand the data before answering the question. Often there was an understanding of interest rates and inflation shown, allowing knowledge marks to be gained. In terms of evaluation, comments needed some support to gain credit, lifting the data only without justification was not credited. Often, candidates found it difficult to think critically in terms of other factors mattering, other than interest rates.

Some answers were brief and 9.2% of responses did not attempt this question.

Q.8   For those that understood exchange rates, this was a relatively accessible question, requiring a diagram indicating an increase in demand and reasoning in an explanation. Those that attempted the question generally did well; marks were lost due to diagrams not being linked to text or very simple explanations being given.

The proportion of candidates that did not complete this question was higher at 18.3% possibly as candidates had miscalculated their timings, assuming question 7 evaluation question was the last question.

Summary of key points

- Candidates should apply their answers to the information presented.
- A good understanding of theory helps candidates access the questions.
- Focusing on the exact wording of the question helps the quality of response.
- The stronger answers in evaluation questions take a critical approach to the data.
- Correctly interpreting the data presented minimises mistakes in analysis.

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Component 2

General Comments

Candidates appeared to find the micro case study on olive oil more familiar and generally the responses were of a higher standard on that case study, possibly as it is conceptually easier, although the two elasticity questions offered a challenge to the most able. The macro case study on the US appeared more challenging, with the evaluation questions often probing a range of understanding with double factor/issue questions. The indication is that candidates found some questions on this paper difficult.

Generally, candidates finished the second case study but the last question on the first case study had a lower completion rate; it may be that this was due to the candidates' timing of trying to move onto the second case study.

For the questions that required it, there was a lack of effective evaluation in a number of answers, leading to these marks not being accessed.

Comments on individual questions/sections

Q.1 **(a)** Candidates were required to draw a tariff diagram and then use this to explain the impact of US tariffs. A large number of candidates were unable to draw a tariff diagram accurately or, if they did so, then found it difficult to use it accurately to show a decrease in imports. For those candidates that did complete the diagram, the majority identified the tax area correctly but could not outline the reason for the tax area. The most able candidates were able to identify the decrease in consumer surplus and the reason for it being so, though a number of responses did not attempt to link to decreased consumer surplus. The question did not directly ask for the impact on consumer surplus but this was implied, which appears to have made it more difficult for candidates.

     (b) **(i)** A relatively simple definition question but, for 2 marks, some level of development was required, more than just an increase in Real GDP.

         (ii) Candidates were expected to understand that there was a link between GDP and the balance of trade but that also other factors matter. The most able candidates indicated an understanding of the link and understood that, during the period of negative GDP, the demand for imports would decrease, leading to an improvement in the trade deficit. The most able candidates then looked further on into the data series and noticed that, although GDP growth had returned, the trade deficit was smaller than it had been before the recession and it fluctuated at different times than GDP.

This question did appear to be more difficult for candidates as they struggled to interpret the question, preferring to discuss how GDP can be increased or worsened by the trade deficit (influenced by rather than influence on). Candidates also struggled to link to the trade deficit clearly with language which showed an understanding of the data indicating a trade deficit, whilst there was the normal confusion between trade deficit and budget deficit. There was a large number of responses that did not show an understanding of the impact of GDP on demand for imports or candidates quickly jumping into other factors before/instead of GDP, whilst another common trait was a lack of discussion or debate for AO4.

Hence, the mean mark for this question was 3 and the maximum mark was 10, being an indicator of the difficulty level.

(c) In this question, candidates were required to discuss whether both trade reforms and immigration would be good for the US economy. The most able candidates referred to one specific policy for both and then linked it to the US economy through macro-economic measures, before discussing and judging how beneficial they would be. The strongest answers here used the information in the case and charts to good effect. Notably on this question, candidates often focused on one specific policy and vaguely referred to the other. This was especially true for immigration. Answers also struggled to directly link to measures of performance for the US economy. Evaluation was lacking in some answers; those that did evaluate often offered counter points, but the best answers focused directly on the combination of the policies in the question.

(d) **(i) and (ii)**

These were definition questions. In (i), candidates offered vague references to how fiscal policy worked, whilst full marks were achieved by full definitions. In (ii), again, 1 mark was awarded for vague understanding of national debt or confusion with a budget deficit; 2 marks for clearer understanding of debt accumulated over time.

(iii) Candidates were asked to consider both the fiscal expansion and greater deregulation and link it to the long-term rate of US economic growth in terms of the supply side of the US economy. The best responses on this question managed to discuss both the policies and often linked them to economic growth, with the top level linking effectively to an increase in productivity/LRAS. Candidates found this answer difficult to score highly on due to only focusing on fiscal expansion as they were unclear of regulation and how it worked to help long-term economic growth and so avoided it in their answer. Discussion and debate also continued to be missing from a number of responses at the lower end.

It is important for candidates to consider both issues of double factor questions.

Given this was the last question on the first case study, there was a high rate of non-completion at 9.2%, possibly suggesting that either candidates preferred the micro case study and completed that first or that candidates had set themselves time limits to try to complete the whole paper and spent too much time on the earlier questions in Question 1.

Q.2 **(a)** **(i)** The majority of candidates answered this question effectively, although some managed to get the calculation the wrong way around.

(ii) The best responses on this answer successfully shifted supply and demand and showed a decrease in quantity and increase in price, then linked these to the factors in the case study. A number of responses only shifted one curve, most often demand, which limited the quality of their response.

(b) Responses on this question indicated that candidates found it hard to access, possibly as the data required some working out prior to linking it to cross elasticity of demand. The better responses identified the characteristics of substitute products and used the information in the text to support this before using the information in the graph to debate and discuss it. There appeared to be a great deal of confusion about cross elasticity of demand, as candidates tried to argue that, if the price of olive oil rose, the demand for sunflower oil would decrease, as they were substitutes, candidates not understanding that the graph indicated % change. Reponses also often just restated the trends of changes in price and quantity without linking effectively to cross elasticity of demand.

(c) **(i)** A straightforward definition question but one that some candidates found difficult as they defined PED. The best responses clearly understood PES in terms of proportionality and the co-efficient.

(ii) The best responses analysed how the PES is more elastic in the long run as, if prices rise, more factors of production can be switched into production; and less elastic in the short run due to production time as indicated in the text. This could then be discussed with the concepts of stock piles that could mean that output could be increased in the short run and, in the long run, due to the changing in weather conditions, it could be less elastic. There was some confusion between short run and long run in regards of stockpiles. The most notable omission in answers was discussion/debate for AO4 as, often, candidates simply agreed with the question.

(d) Candidates appeared to enjoy this question and there were many impressive answers. The average score was 3.9 out of a maximum of 7. There were often good labour market diagrams used in support of their answer and an impressive understanding of how this could affect firms in the restaurant sector in terms of costs and profits. Some candidates found it difficult to link to the restaurant sector and limited their answer to describing the labour market diagram. Candidates found it more difficult to evaluate whether the effects would necessarily occur.

(e) The intention of the last question was to assess government stabilisation methods for agricultural goods in terms of minimum price or buffer stocks. Some candidates decided to use maximum prices and, although not necessarily focused on agricultural markets, this was deemed creditworthy to the good level. The best answers used maximum and minimum pricing together to form a buffer stock argument. However, often, responses were less creditworthy than they could have been as candidates drew a diagram but missed the analysis of why to intervene to help them answer the question fully. A relatively common trait was a lack of knowledge of minimum/maximum pricing and, instead, relying on a subsidies argument that could be used to increase supply and lower price, but is not truly a price stabilisation method. For the highest levels, candidates would have benefited from focusing on the exact theory being assessed in the question.

Summary of key points

- Double factor/theory questions require both to be considered equally.
- Focus on the question is helpful for the higher mark bands.
- 'Discuss' questions require candidates to evaluate.
- Trade deficits and elasticities continue to challenge candidates.
- It was surprising that candidates found drawing a tariff diagram difficult.