GCE AS EXAMINERS' REPORTS

ECONOMICS
AS

SUMMER 2018

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AS INTRODUCTION

Taken together the AS papers can assess a wide cross-section of the year 12 content and these papers were no exception. The compulsory nature of the questions once again reinforced the need for candidates to have a good broad knowledge of the entire specification. Any knowledge gaps are very risky in the AS (and indeed the full A level itself).

Taken as a whole, candidates seemed to find the two papers approachable, dealing as they did with everyday issues and broadly contemporary stories. It remains the case that the more candidates are exposed to the economics of the real world, the better they will tend to handle the AS papers which are focused on rewarding the application of economic theory to familiar and unfamiliar contexts.

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COMPONENT 1
INTRODUCTION TO ECONOMIC PRINCIPLES

Timing issues were less evident on Component 1 this year than they have been in some previous years. A conscious effort was made to shorten stimulus where possible or to combine several questions to make use of one set of stimulus. In timing terms this worked well, but it did mean that on multi-part questions, some candidates forgot to use the stimulus. The paper discriminated well, with strong candidates able to move through the marks very quickly while more limited candidates struggled to make headway even when writing at length.

Individual questions:

Question 1: all three parts were perhaps the most disappointing questions on the paper in terms of the responses given. It seemed that almost all candidates viewed the idea of elasticity as binary – things are either elastic or inelastic with nothing in-between. Hence vanishingly few candidates understood that - 0.47 meant that demand changed 0.47 times as much as the percentage change in price and very few were able to think about the idea that although demand was price inelastic, it wasn't totally so. Part (c) was very poor – candidates seemed unable to use the elasticity figures, implying that a high proportion do not really understand the maths behind elasticity, beyond being able to calculate a number from a formula. Given the requirement to test higher order maths skills, this is an area the candidates would be well-advised to master.

Question 2(a): by contrast, was answered well. Because of the indeterminate nature of the subsidy we were flexible on the use of diagrams – as long as the diagram matched what the candidate was arguing, they could score full marks. Part (b) discriminated well – the best candidates used the graph and text to consider the real impact on the car market and used background knowledge about things like charging points, consumer inertia and so on to contextualise their answers. Weaker candidates tended simply to argue that subsidising electric cars would increase the demand for them, which only addresses part of the demands of the question.

Question 3: was done fairly well with marks generally being lost on part (b) for candidates who failed to appreciate that consumer surplus is a financial concept or were unable to cope with millions and billions. Again, there is a requirement to test maths skills and failings in these areas have to be penalised. Overall, this question stood out as the most accessible on the paper.

Question 4: was the one that caught a significant proportion of candidates out; they simply didn't seem to know what the multiplier was, which is a surprising piece of economic theory to be unaware of. Better prepared candidates made short work of it, however, showing that they understood that GDP would rise more than the initial change in AD, but that the effect would be reduced by leakages such as imports, implied to be 10% of GDP by the stimulus. As a result, statistically, this was the most challenging question on the paper with a mean mark of only 1.3.

Question 5: was quite startling in terms of what it showed about mathematical skills. It is perhaps understandable that some candidates got caught out by the idea that 9.5 times as high is only 850%, but an inability to show how much higher in percentage terms 1450 euros is compared with 1150 euros was very surprising and suggests that basic maths skills across the cohort are comparable to those who struggled with a similar maths-style question on last year's Component 2. 5(b) again discriminated well, with the best candidates using the chart to think about where the UK stands in the global minimum wage league table and thinking about who the UK' main trade partners were likely to be. Strong answers tended to incorporate well-used diagrams (although this was not required) and were able to think maturely about the significance of changing the minimum wage for 21-24 year-olds in terms of the pattern of UK unemployment as a whole.

Question 6: was another question which discriminated well. As is often the case, there is a big distinction between the strongest and weakest answers where monetary policy is concerned. At the lower end, answers often failed to get past the impact on savings and showed that many candidates don't really know the difference between AD and AS. The strongest answers used the context well to support the theory using confidence issues, the Bank's threats to exemplify the likely effects on AD.

Question 7: was often answered a little briefly because of the time constraints on the paper, but we took this into account when designing the mark scheme. There were only a minority who linked growth to unemployment rather than the other way around, which was a little surprising (although the relationship is, of course, a two way one), but strong answers were able to come up with some interesting and plausible reasons for the weakness of the correlation at various periods, drawing well on the data and their understanding of other factors affecting unemployment apart from growth. At the other end, some candidates had very little understanding of what economic growth is, conflating GDP growth with GDP, resulting in very confused answers.

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COMPONENT 2
EXPLORING ECONOMIC ISSUES

The two data sets covered two contemporary issues in an approachable way, the third runway at Heathrow and the slump in the £ following the Brexit vote. There seemed not to be timing problems (97.6% of candidates reaching 2(f)) and the range of content on the two cases discriminated well.

Given the weaknesses that were displayed on percentage calculations on Component 1, the first question produced few errors and a(ii) was generally answered well and allowed candidates a gentle start to the paper. The main cause of lost marks was a failure to appreciate that the question was evaluative or a failure to make use of the copious supporting data on why house prices might not fall.

(b) Was handled well in general. Most candidates had a decent understanding of what government failure is and were able to use the context to consider the issues. Only the best answers really got to the heart of issues such as resource misallocation, but there were a good number of well-argued responses here.

(c) (i) Was the first question to expose mathematical weakness, with most candidates not able to adapt to the fact that they needed to use an index number of 108 as part of their calculation. Most, simply treated the 2016 figure as the base year, for limited credit.

(ii) Discriminated between those who argued that supply would rise, pushing prices down and those who appreciated that demand was ever-increasing and that the impact of the increased capacity would be to prevent further price rises rather than to actually reduce prices relative to their present level. Given that supply and demand is one of the better-understood concepts in AS level economics, this type of question, where more than one thing is going on, tends to be the way to discriminate between stronger and weaker candidates.

(d) Once again AD/AS diagram questions highlighted that many candidates don't really understand the basics of AS curves. Standard errors were to argue that rising consumption would 'increase AS' shifting it to the right, or that increased employment would again shift AS to the right 'because of the increase in capacity'. Nevertheless, the data tended to be well used and there was some good evaluation of the claims made by the DoT, even when the diagrammatic analysis was disappointing.

Taken as a whole, this question was accessible to all candidates but also discriminated well – most candidates will have felt that the paper got off to a good start, even if this wasn't necessarily true, which is important in allowing them to do the best that they can.

As is often the case, the more macro-oriented data proved to be the more challenging one, centring around exchange rates and monetary policy, areas which some candidates find challenging.

The second data started off peacefully enough with a supply and demand question (a) asking candidates to link oil prices and a depreciation to the price of a product. This was generally well done, although some candidates went off on a tangent about the oil market having misread the question. Such an approach still gained credit, but didn't really answer the question. Only a short explanation of oil and import prices impacts costs and therefore supply was required, but some candidates clearly weren't looking at the 4 marks awarded for the question when they answered it and spent significantly too much time on it.

The second question (b) discriminated well, with a significant minority of candidates not understanding the difference between price elastic and price inelastic demand. A more minor fault was failing to consider why firms might need to absorb costs, instead focusing on passing costs on to consumers of demand was price inelastic. Ultimately, the best candidates look at the full demands of the question and are rewarded accordingly.

(c) Produced some generally fairly strong answers, but also some where candidates clearly hadn't read the context. Answers which talked about trade deficits or interest rates could gain only limited credit here.

(d) Was generally well answered; it was a relatively abstract question about depreciation and many candidates simply ran down the usual channels of analysis. Such answers tended not to end up with the highest marks because they failed to apply the depreciation to the context of UK firms, instead looking at the impact on unemployment, inflation and the trade balance. The best answers thought about different types of firms in terms of how costs and revenues might be affected. This simply reinforces the theme, which is that those candidates who understand the subject well enough to think flexibly tends to do better than those who have attempted to learn their way to success.

(e) In the case of (e), as with the interest rate question on Component 1, there was widespread weakness in understanding the ways in which interest rates have an impact on inflation. These channels (domestic and external) are well documented both in textbooks and in places like the Bank of England's website, so candidates who had got to grips with how the process is actually supposed to work (rather than relying on vague generalisations about the effect on savings) were at a significant advantage here. This was a question where the case wasn't really well used, even though there was quite a lot of relevant data on current inflation, the fall in the pound, the possible effects of Brexit, business confidence, the extension of QE and rising production costs. Such use of the data often led into productive evaluative ideas as well, so a failure to use it tended to result in only average answers.

(f) Is a well-worn topic with a slight twist (in this case the possibility of the UK imposing tariffs on the EU). As has been the case for some time, candidates who memorise areas A, B, C and D on a tariff diagram (increase in producer surplus, inefficiency area, tariff revenue and welfare loss respectively) rarely do very well, because they are unable to use what they have learned, because they don't understand the principles behind it. Such answers often struggled to get past about 4/10. The best answers understood all of the theory, could explain it and then link back to this context applying to issues such as the Singapore model, rising global protectionism and the fact that business costs were already rising.

Taking the two papers as a whole, in many ways the song remains the same as it has been over the last couple of years. The most successful candidates have a good underlying understanding of economic theory acquired by thinking about why things are the way they are rather than learning sets of processes and diagrams. These candidates are then able to use their understanding flexibly to tailor their answers to the contexts that have been used and also to the specific demands of each individual question, rather than applying a 'baby and bathwater' approach to the whole.

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