



GCE AS EXAMINERS' REPORTS

**ECONOMICS
AS**

AUTUMN 2020

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Introduction to Economic Principles

General Comments

The beginning of the paper allowed candidates to access the paper and pick up some marks before hitting the more difficult section of 3 questions with a large number of marks. The content of these three questions was challenging due to the nature of the information provided or type of question rather than the content being assessed. The last 3 questions allowed candidates to pick up a good number of marks again.

Comments on individual questions/sections

Question 1 allowed the majority of candidates to access the paper with the strongest candidates understanding the double change but found it more difficult to give the reasons for the change in terms of reasons for the maximum possible output decreasing or increasing.

In Question 2 there was generally a high standard of response with the strongest responses showing a clear understanding of government failure and the before and after in terms of how they intended to solve the market failure but actually lead to a net welfare loss.

Question 3 started to pose candidates more difficulties although part A was completed well as candidates showed a good understanding of how to calculate the percentage increase using index numbers. Part B required candidates to show an understanding of viable reasons for low productivity growth in the UK between 2011 and 2017, often the reasons given here were not viable given the situation of the UK economy or too narrow in nature. Part C was a challenging question on productivity growth. Candidates appeared less sure of the policies intended to lead to productivity growth and sometimes slipped into demand lead productivity. The best answers linked their arguments to the data provided which showed how the policies by government had hoped for more productivity growth that actually happened.

Question 4 was another challenging question, although there were a good number of strong answers as candidates had a clear understanding of the fiscal/budget deficit and could analyse how changes in tax cuts could or could not improve it. The stronger answers here made good use of both the information in the context and the chart, although candidates found it often difficult to debate whether it would improve the budget deficit significantly.

Question 5 required candidates to use calculations in their answer and three calculations possible alongside use of the case. The best answers completed the XED and 2 PED calculations and used the case study. Analysis here focused on the market failure and candidates found it difficult to link their arguments to how it could decrease welfare loss specifically. Often debate and end judgment was lacking on this question. Questions like these require calculations, so answers without calculations score lowly.

Question 6 indicated candidates had a good understanding of how to calculate off a tariff diagram, which was an improvement on 2019. Although it is important to note the units when completing these questions, as the answers needed to be expressed in £ billions (or £ millions) to be completely accurate.

Question 7 appeared to differentiate well with those candidates that truly understood the situation realising that the overall quantity increases which is an important consideration when drawing demand and supply diagrams. Candidates interpreted and used both causes in their answer but often missed out the explanation of how prices fall in terms of excess supply or supply being greater than demand.

Lastly Question 8 was completed by the majority of candidates, indicating not so many timing issues as in 2019. There was some confusion on which factor impacts the demand of labour and the supply of labour but on the whole candidates picked up on both shifts but again the explanation of why wages/price of labour rises was missing in terms of excess demand or demand being greater than supply.

In Question 7 and 8 candidates linked their arguments well to the diagrams using annotations, which is good practice.

Summary of key points

Allowing time to assimilate the information for the higher mark questions is important. Following the instructions in the question is important. If the question asks for calculations, then these are required.

Express the outcomes of calculations in the units used in the context.
If asked to explain the changes on prices or wages, then explain the reasoning of why the prices/wages changed.

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Exploring Economic Issues

General Comments

Candidates appeared to access the cases to good level in the 2020 series. Although they appeared to find the international setting of the first case easier to assimilate and understand the second one. This often leads to inconsistency in outcomes across the whole paper, with higher performance on the first case study. In 2019 it did appear that the case-study with higher macro focus was more challenging for candidates and this appears to be the case again, although this may have been influenced by the unfortunate circumstances of the covid-19 pandemic with the change in teaching during lockdown. Often centres would have been focusing on macro-economics during this time.

Comments on individual questions/sections

Case 1

Question 1 a) Candidates picked up on the two reasons for the shifts but the best answers here correctly showed a drop in overall market supply. In similar fashion to Component 1 candidates appeared to miss the technical reason of why prices should rise using excess demand or demand being greater than supply.

Question 1 b) appeared challenging as candidates found it difficult to explain why the currency might depreciate due to a fall in the value of exports, instead preferring to explain why it might appreciate when the price of exports rises. This then provided a challenge for candidates to debate the link as they had focused on the later part of the chart, in contrast to before and after.

Question 1 c) allowed candidates to show a good understanding of the budget deficit again with good usage of more than one elements of the context linked with how it could help the budget deficit through less government spending and higher tax. The best explanations were detailed and explained the process.

Question 1 d) This question on market failure evidence students having an excellent understanding of market failure with candidates often showing this using a diagram. Although this was not required but clearly showed good understanding of market failure. Candidates found it more difficult to explain how regulations could solve the market failure though. The best answers did focus precisely on regulations, whilst using tradeable pollution permits was also given limited credit. The best answers here used the information provided in the context for their debate and end judgment.

Question 1 e) required candidates to draw two accurate diagrams and link to these clearly in their arguments. The question required a little bit of unpicking to ensure that both the micro and macro elements of the question was addressed for access to the higher levels in term of application and evaluation. The best answers did this effectively but it was quite common for the evaluation to be missing after candidates explained why it could be good or bad. Another element that was seen by the best answers was the positive impact on households.

Case 2

Question 2 a) candidates here needed to show an understanding of price level change rather than just inflation.

Question 2 b) was another question on productivity and as per the one on component 1, candidates benefited from showing a good understanding of how productivity can be changed in contrast to statements that it does. One effective way to do this was with reference back to a formulae of how productivity can be measured and one part of the formulae could change. Some candidates struggled to link Bank of England tools to productivity and instead used supply-side policies rather than interest rates. A few candidates also used quantitative easing but this was not required at AS level, though an understanding of more than one Bank of England tool was for excellent understanding such as their role in economic stability. The best answers here considered that in theory the tools could help but in reality they are not particularly suitable to help productivity.

Question 2 c) In this short question the best answers focused on how net exports could lower economic growth with detail in contrast to just referring to it as part of Aggregate demand, this often focused on a leakage from the circular flow and at sometimes mentioned a negative multiplier. The best answers showed a true understanding of net exports with the value of exports – value of imports in contrast to the quantity.

Question 2 d) This was a challenging question that required candidates to think unusually, which was difficult for all but the minority. The question goes against commonly taught theory on the Bank of England's inflation target and so candidates were required to look at the information provided to analyse and debate the suitability of doing so. The best answers here argued that by raising the inflation target this would allow expansionary economic policy for longer but that this could lead to problems.

Question 2 e) This was a relatively simple question, though possibly due to time pressures answers were mainly theoretical. The case provided reasons for why economic growth could be needed and beneficial, but candidates often missed the opportunity to link to these.

Question 2 f) The wording of this question appeared to pose a challenge for candidates which lead to answers finding it difficult to focus their analysis on how higher interest rates could move economic growth away from consumption towards investment and improved net exports. Candidates could analyse the impact for lower consumption but found it difficult to explain why investment might increase and why net exports might improve as this goes against the standard theory of how the monetary policy mechanism could impact economic growth. Effective answers had arguments on both sides of the argument.

Summary of key points

Allowing time to understand the situations being presented by the case and data is important. For case with less text and more chart data, the chart data helps understand the situation.

Following the instructions in the question is important. If the question asks for diagrams, then these are required.

Spending time reading the question so that all elements are considered. This is especially important for questions with more than one outcome.

Consistency across the paper is important. Often candidates were stronger on one case or the other.



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