

Examiners' Report/
Principal Examiner Feedback

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Pearson Edexcel
International Advanced Level (IAL)
Economics (WEC01) Unit 1

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Introduction

Overall, the paper was accessible for all candidates, typically being able to achieve marks on each question. In the supported multiple choice section, candidates were usually able to pick up at least a couple of marks for either explanation or identifying the correct key with some explanation. On the data response section question 9 was more popular than question 10. Candidates also tended to perform better on question 9 with similar performances on the lower mark questions but on the higher mark questions candidates performed better particularly with evaluation.

Diagrammatic analysis on the work from the better candidates achieving the higher grades was good and it is the effective use of these which enabled many candidates to achieve higher scores. There were a significant number of superior responses which scored very high marks, particularly in the supported choice section of the paper and the 6 and 4 mark questions on the data response.

Most candidates were able to complete the paper in the time available though some struggled to develop their answers for questions requiring evaluation. It is important that candidates practise the unit 1 sample assessment material question paper and this paper under timed conditions to strengthen exam skills. The performance on individual questions is considered in the next section of the report. The feedback on questions shows how well questions were answered and also how to improve candidate responses further.

Section A - Supported Multiple Choice

Most candidates found this method of testing accessible. Those candidates achieving the top grade were able to use relevant diagrams to support their answers and the written responses were able to define effectively and explain the correct key.

Almost all candidates, at every grade, accessed marks by defining the main concept(s) in the question (awarded 1 or 2 marks). Those that went on to apply appropriate economic theory and analysis (usually awarded up to 2 marks) were those able to achieve the higher grades.

It is possible to achieve the full 3 explanation marks even when an incorrect option is selected. Extra care in checking their answers would ensure they maximise the marks achieved. Some candidates gained marks by using the rejection technique. Up to 3 marks are available for successfully eliminating 3 incorrect options (provided that three separate reasons are offered). To achieve rejection marks it requires candidates to explicitly state the option key being rejected and then to offer an appropriate explanation. Unfortunately, some candidates fail to identify

the incorrect option key and so the examiner may not be aware that the rejection technique is being offered. A significant number were using the rejection mark to achieve their last mark on these questions.

The mark scheme offers guidance on how to reject incorrect options. Note it is perfectly acceptable to use a combination of techniques for securing the 3 explanation marks, for example, explaining the correct answer, diagrammatic analysis and eliminating one or more incorrect answers.

Question 1

The question tested students on their understanding of the role of the state in a mixed economy. The majority of candidates accurately defined what a mixed economy was. The precision of this definition was an occasional problem. Saying a mixed economy has both command economy and free market economy is not precise enough to be awarded a mark and it is better if they identify the private sector or market mechanism with the public sector or government to achieve this mark. Fewer but still a significant number were able to define public goods identifying both non-excludability and non-rivalry in the definitions. A simple way to pick up the final mark was to identify an example of a public good provided by governments although this was rarely done.

The best responses explained the free rider problem and why the government needs to provide these public goods. Where rejection marks were offered they rejected B explaining how the state does not get involved in the price mechanism.

Question 2

The question considered the cost of a subsidy to the Government of Trinidad and Tobago. A diagram was provided. Few candidates achieved marks for the annotation of this diagram. Where candidates did annotate the diagram they often just shaded the relevant cost of the subsidy but failed to label it. Even then those that did label cost of subsidy, this mark is already awarded in identifying the key A P2BDP1. To achieve marks for annotation they could either identify the area of subsidy the consumer benefits from and the area the producer benefits from. They could also identify the unit subsidy on the diagram e.g. BD or P1P2.

It was pleasing in the written explanation that so many defined subsidy accurately and many were able to identify that the subsidy lowered costs for airlines. One part of the mark scheme that was rarely awarded was to identify the area P2BCP which represents the producer subsidy (value of the subsidy that the producer retains) and the area PCDP1 which represents the consumer subsidy (value of the subsidy passed on to consumers).

A number of candidates mixed up producer subsidy with consumer subsidy. A small number identified in their written explanation the subsidy per unit. Rejection marks were rarely awarded as few were able to identify the consumer or producer subsidy to be able to reject C or D.

Question 3

The question provided a demand curve showing a price change and related price changes to total revenue and the elasticity of demand. Students found this question challenging to access full marks although a significant number achieved 2. Many candidates defined price elasticity of demand or elastic demand or total revenue for which they could achieve a maximum of one mark for these definitions. A significant number attempted to calculate the total revenue earned. Too many though calculated 10×2 and 8×4 accurately but of course the units for the quantity of chocolate bars is in thousands. This meant that candidates who simply wrote £20, £32 and the increase of £12 were not awarded marks as these needed to be in thousands. That is £20,000, £32,000 and £12,000. It would also be useful for candidates to remember the £ symbol.

It is worth centres ensuring their candidates can identify the elasticity along such a demand curve. Only a few calculated the PED and those that did often made a mistake at some stage. This is certainly something candidates need practice with. There were few but nice responses that drew the total revenue curve showing how total revenue would rise as prices fell.

Question 4

The question provided data on cross elasticity of demand and looked at what could be deduced from this. A significant number accessed full marks on this question. Definitions of cross elasticity of demand were well delivered although they will only be awarded for either the definition or formula and many offered both. It was pleasing that so many were able to explain that complements had a negative cross elasticity of demand and that as the price of fruit rose the demand for dairy would fall.

Many attempted to reject options but too many did so in a superficial manner. For example B is not right as this is to do with income elasticity of demand was insufficient and to achieve this mark they need to offer more. They need to explain that the data relates to the cross elasticity of demand and inferior goods can be deduced only from data on income elasticity of demand. Here it is the comparison with cross elasticity that enables them to achieve a mark.

Question 5

This question caused a challenge to many candidates with many struggling to achieve marks. The question looked at real wage changes and then possible explanations for them. The question clearly suggested candidates may wish to use a supply and demand diagram in your answer but a significant number ignored this hint.

If a question suggests a diagram I would strongly urge candidates to provide one, in this example 2 marks were available for this. One mark was awarded for showing increased labour supply and the other for falling wages. It is important that candidates use the data provided to draw the correct diagram and the hint to real wages should have suggested to candidates that it should be wages and not price on the axis. It was also acceptable to offer a written explanation of how when the retirement age is raised, then the supply of labour in Spain will increase and how this results in a fall in the price of labour, or the wage rate. A very small number were able to identify that real wages were adjusted to take out inflation. The labour market and how changes affect it is clearly an area for additional work in centres as this question challenged candidates.

Question 6

The candidates were required to identify an example of market failure. Pleasingly market failure was well defined and occupational mobility was also well explained. The best candidates achieving the higher grades were able to explain why the occupational immobility exists. Many offered a rejection mark for D here explaining that the government intervention, the national minimum wage causing unemployment was an example of government failure.

Question 7

Candidates performed extremely well on this question on production possibility frontiers. Many were able to identify the correct key which was the movement from X to Z. Most were able to define production possibility frontiers and it was pleasing that a significant number had a technically accurate and sophisticated definition considering not only maximum possible output but given current resources. Opportunity costs were also typically defined well. Those achieving full marks tended to explain using numbers the changes in consumer and capital goods. Many rejected C as being unobtainable and other responses by calculating appropriate opportunity costs.

Question 8

The performance of this question on maximum price for milk saw candidates perform well. The definition of maximum price needs to be developed in centres although candidates clearly had an awareness of what it was and how it worked. Many candidates pleasingly included a diagram showing the maximum price below equilibrium and annotated the shortage or quantity demanded and supplied with the maximum price. The best responses correctly explained that with the lower price demand would extend and supply contract with reasons offered.

Section B - Data response

The data response questions have a substantial weighting for evaluation marks (16 out of 48 marks). Consequently, it is vital that candidates make evaluative comments when required by the question. The 14 mark question comprises 6 evaluation marks (2+2+2 or 3+3) and a 10 mark question comprises 4 evaluation marks (2+2).

Question 9 (The price of pork) was a more popular choice with most candidates selecting this, compared to Q10 (The problem of plastic bags). A higher mean score was recorded for Q9 than Q10. This was due to a significant difference in questions requiring evaluation.

Question 9

Part (a) - This question looked at the market for pork and the responses to this question were strong. Data reference was good with many referring to the data in Figure 1. Note that the question had reference to 5.5% decline in price so this was not awarded a mark. Most referred to the 3 bullet points in the extract to identify the key reasons. The diagrams were usually accurately drawn with all at least drawing a supply and demand diagram to achieve a mark. The majority did correctly draw supply rising and showed the corresponding original and new equilibrium. Pleasingly more than half achieved full marks.

Part (b) - This question required a discussion and this command word should have been a clear hint to candidates that they needed to evaluate. As should the 10 marks allocated which will mean 4 evaluation marks are available. Evaluative comments on this question were less well done. Most were able to identify how the swine flu epidemic could affect supply and costs. They often drew a diagram to helpfully illustrate the impact. The effect on revenue, employment and closures was typical. Other focused on demand and how this could be affected. Students had problems focusing on the impact on restaurants, often describing the effect on farms, either first in great detail before moving on to address the question, or sometimes ignoring restaurants altogether. Diagrams too often referred to the pig market, rather than the market for pork dishes, and were not labelled, which would be good practice and helpful to the students themselves in the exam.

Candidates were also sometimes confused about who the customers were, little distinction often made between restaurants as customers of farms and the public as customers of restaurants. Those that did evaluate tended to focus on the ability to import pork from elsewhere, releasing stock from the pork reserve, the significance of pork in China, the impact on substitutes, time lags and magnitude. Candidates would do best to develop the evaluation point to achieve more marks.

Part (c) - The question looked at the pork reserve which in the extract was explicitly referred to as a buffer stock scheme. Those that clearly read this were able to look at buffer stock and explain how it operates. Many struggled to draw an accurate diagram and some work with candidates on this would be useful as they were well rewarded for an accurate diagram. There were very few good diagrams. Most could explain how a buffer stock worked and why they might be set up but very few could evaluate beyond the opportunity cost argument. Many confused a buffer stock scheme and a minimum price scheme. A significant number of diagrams were drawn without or incorrectly labelling the maximum and minimum price. Key evaluation when offered related to magnitude and costs of storage. With there being 14 marks available it was typical for candidates to offer 2 evaluation points and when these were only briefly developed a 3rd evaluation point would have been useful. 2 should be well developed or 3 that offer some development.

Part (d) - The question on whether pork is a normal or inferior good was well answered. Definitions of income elasticity of demand, normal goods and inferior goods showed good theoretical knowledge from most. This was backed up by explicitly reference to the data and identification of pork as a normal good. A pleasing performance on this question.

Part (e) - The question asked students to look at external costs of increased pork production. Students were explicitly asked to draw a diagram and many although not all did. The appropriate diagram here was to draw a negative externality diagram. Most were able to draw the diagram accurately which was pleasing. Many struggled to label the social optimum and market equilibrium. The application to the extract was then good identifying the external costs. The best responses would explain who the third parties were with each external cost. For evaluation the focus was on difficulties in calculating, possible benefits of increased production in terms of lower price. Again the issue here was that some ran out of time and many would have benefited from a 3rd evaluation point being offered given there were 6 marks available.

Question 10

Part (a) - The question focused on the market for plastic bags. The first part of the question was accessible and many achieved well. They were able to identify what a non-renewable resource was and identify relevant examples from the extract. Candidates were awarded here for offering examples that were not in the extract but it should be noted that this was only because the question did not ask for with reference to extract 1. Had this been the case only answer from the extract would have been accepted.

Part (b) - This question gave candidates the opportunity to demonstrate their knowledge of rational consumers. Some candidates identified that rational consumers attempt to maximise utility but were weaker at making the link to why they therefore use plastic bags. The benefits of plastic bags referred to extract well. Opportunity costs was also defined although only the best

connected this with the rest of their response on rational consumers using plastic bags.

Part (c) - The next question required a discussion for 14 marks so required up to 3 evaluation points. The tax on plastic bags was well understood in terms of the impact on costs, supply and price. Many drew the diagram and were duly rewarded. Many were able to define price elasticity of demand but few used it to look at how elasticity could affect the impact of the tax on different groups for example the consumers and producers. There was an opportunity as identified in the mark scheme to calculate the Price elasticity of demand but candidates largely failed to do this. Evaluation tended to focus on how other bags could be just as damaging, the magnitude and policing of the policy.

Part (d) - This part to question 10 required candidates to identify asymmetric information that might exist in the grocery bag market. Many were able to define imperfect information and fewer were able to identify that one agent has more information than another. The attempt to apply to the bag market was made. Evaluation was weak and when offered focused on government ability to provide information, the internet and how it increases available information.

Part (e) - This question on government failure from a ban often referred to issue in China and Ireland, how job losses or closures may merge in plastic bag manufacturers and how governments lose tax revenue. Again the constraints of time meant evaluation was often weaker or non-existent. Those that did offer is focused on the benefits of the government intervention in reducing external costs. The question focused on bans and many confused this with taxes and therefore were able to receive little credit.

Candidates are offered the following advice:

Section A: supported multiple choice

- Define accurately the key economic term(s) used in each question.
- Be prepared to annotate the diagrams presented in the questions.
- Be prepared to draw diagrams when relevant to the question and make sure these are properly labelled and explained in the text.
- When explicitly asked to draw a diagram do so as doing so will tend to be well rewarded and the alternative written explanation will often require much explanation.
- Always refer to the information provided, for example, income elasticity of demand and real wage statistics figures in Q4 and 5. This helps to credit responses with application marks.
- Revise thoroughly the labour market, for example, Q5. This is an area where candidates often struggled to achieve high marks.
- Revise thoroughly the relationship between demand, total revenue and elasticity of demand, this led to some struggling with Q3.
- Make sure 'value is added' to answers which use the rejection method. Do not simply state that a particular option is incorrect without explaining why this is the case.

Section B: data response

- Read the question instructions very carefully to make sure your answer remains relevant throughout. All too often candidate answers strayed from the questions set as in Q10(e) many focused on taxes rather than bans. It is important to focus on the concepts mentioned in the question.
- Far too many candidates misread struggled with 9c as they did not read the extract closely enough where it explicitly referred to it as a buffer stock scheme.
- Focus on developing economic analysis in the high mark base questions. Quite often candidates moved from definitions and a brief explanation of an economic issue straight into evaluation. This was evident in Q9(e) on external costs and Q10(e) the ban on plastic bags. Economic analysis typically involves explaining the sequence of events leading up to a particular outcome.
- Where candidates are asked to refer to a concept in a question it is important they do not just define it but attempt to use it to analyse and evaluate. For example with 10(b) they needed to refer to opportunity costs and 10(c) price elasticity of demand and too frequently this was only defined.
- Candidates need to consider the mark allocations where 14 marks are available 6 marks will be for evaluation and students should be encouraged to develop two in detail or offer 2 with some development. Similarly a 10 marker will require 2 evaluation points for 4 marks.
- Where statistics in extracts are referred to in the question you will not be awarded marks. For example in 9(e) many identified that 465 millions tons would be created and in 9(a) the prices fell 5.5%.

Grade Boundaries

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