

Examiners' Report/  
Principal Examiner Feedback

January 2014

Pearson Edexcel  
International Advanced Level (IAL)  
Economics (WEC04) Unit 4

## Edexcel and BTEC Qualifications

Edexcel and BTEC qualifications are awarded by Pearson, the UK's largest awarding body. We provide a wide range of qualifications including academic, vocational, occupational and specific programmes for employers. For further information visit our qualifications websites at [www.edexcel.com](http://www.edexcel.com) or [www.btec.co.uk](http://www.btec.co.uk). Alternatively, you can get in touch with us using the details on our contact us page at [www.edexcel.com/contactus](http://www.edexcel.com/contactus).

Pearson: helping people progress, everywhere

Pearson aspires to be the world's leading learning company. Our aim is to help everyone progress in their lives through education. We believe in every kind of learning, for all kinds of people, wherever they are in the world. We've been involved in education for over 150 years, and by working across 70 countries, in 100 languages, we have built an international reputation for our commitment to high standards and raising achievement through innovation in education. Find out more about how we can help you and your students at: [www.pearson.com/uk](http://www.pearson.com/uk)

January 2014

Publications Code IA037697

All the material in this publication is copyright

© Pearson Education Ltd 2014

## Introduction

There was a low entry for this paper, which has made general conclusions difficult to draw. It should therefore be noted that the comments that follow are based on a small sample size.

In Section B, the two data response questions were attempted by roughly equal numbers of candidates, but question 2 proved to be the most popular option in Section A. No candidates chose to answer question 3, and so there is therefore no comment on this question.

Most candidates were able to show good levels of economic knowledge and analysis. More able students were able to integrate their analysis with application to context, and particularly to evaluate their own arguments in detail.

## Section A

### Question 1 a

All candidates showed a good understanding of the term 'globalisation', and were able to explain how trading blocs might increase regional trade, leading to more globalised economies. Most candidates also showed some knowledge of the ideas of comparative advantage and specialisation, and were able to explain how more specialised economies became, by necessity, more internationally interdependent.

Stronger candidates tended to introduce the concepts of trade creation and diversion into their analysis, although these tended to not be explained in detail, and were not illustrated with appropriate diagrams.

Evaluation mainly took the form of considering other trends which had contributed to globalisation (e.g. growth of transnational companies), and, in the better responses, attempting to give reasons for the prioritisation of factors.

There was little appreciation of the different types of trading blocs (which could have been used as an evaluative point, perhaps), and application to real world trading blocs was inconsistent. Candidates who were able to give examples of trading blocs tended to do so in their introduction, and then not again. They should, in contrast, be encouraged to apply their answers throughout.

### Question 1 b

All candidates were able to explain the view that trading blocs facilitated trade between members (often developed countries), but made trade between members and non-members (often developing countries) less

likely. Stronger candidates could then explain how this might be a constraint on the development of developing economies.

Arguments based on dumping, and/or the provision of subsidies to member states were also well developed.

In evaluation, most candidates focused on other factors which had constrained development (e.g. savings gap). While stronger candidates were able to then give reasons why these had perhaps been more of a 'major' constraint than trading blocs, weaker candidates tended to simply rewrite their notes on constraints on development, rather than using these ideas to answer the particular question set.

As with question 1(a), although the question did not ask for reference to a particular country/region/trade bloc, it would have been good to see more application to real world trade blocs and their member states, for example a trade bloc comprised of solely developed countries compared to a trade bloc that includes both developed and developing economies.

#### Question 2a

Candidates produced some very good answers to this question, and in particular were able to apply their answers to a country of their choice in an interesting and useful way. It was obvious that when candidates chose to discuss their own countries, they were able to include far more detail, and integrate their analysis and application to a far greater extent.

The differences between strong and weak candidates were two-fold: first, weak candidates tended to give very descriptive answers, struggling to include much economic knowledge or theory in their analysis; and second, weak candidates struggled to evaluate the causes that they had identified. In particular, they tended to try to evaluate in terms of how the government could intervene to improve things, inadvertently straying into question 2(b).

Responses that received higher marks often showed a good appreciation of how income inequality had different causes in different regions of their chosen country, or how its causes varied over time, between different population groups etc.

#### Question 2b

As with question 2(a), stronger candidates were able to demonstrate their knowledge of economic theory within their answers, for example, using ideas of regressive/progressive taxes, the Laffer curve, and diagrams to show the effects of a national minimum wage (increase); while weaker candidates drew on economic concepts and theories to a far lesser extent in their answers.

All candidates could identify and explain at least some relevant policies, although the depth of explanation, and, in particular, the ability to evaluate those policies, varied significantly between candidates.

Some candidates continued to apply their answers to the country they had chosen to answer with reference to in part (a). While this was not asked of them in the question, it did help them to extend their analysis, and identify and explain possible evaluative points.

## Section B

### Question 4a

This question was generally well answered, although definitions of 'economic growth' were sometimes omitted or incomplete. We were looking for two pieces of data reference, ideally including figures rather than simply descriptive statements, for example:

- "Ethiopia's economic growth rate has fallen from around 13% in 2004 to around 7% in 2011."

Rather than:

- "Ethiopia's economic growth rate has fallen."

Or:

- "In 2004, Ethiopia's economic growth was around 8 percentage points higher than the average for Sub-Saharan African developing economies, but by 2011 it was only around 3 percentage points higher."

Rather than:

- "Ethiopia's economic growth rate has consistently been higher than the average for Sub-Saharan African developing economies."

### Question 4b

Students showed varying degrees of knowledge of the HDI and its components, particularly in terms of how education and standard of living/income are measured within it.

Weaker candidates were able to identify a valid factor and refer to the data to support this, but could not provide much further analysis (usually scoring four marks out of a possible eight). Stronger candidates were able to show their higher level of knowledge and understanding by analysing the factors fully.

Candidates do not need to evaluate their responses to 'analyse' questions.

#### Question 4c

This question was well answered by most candidates. There was much relevant information in the extract that candidates of all ability levels were able to use, particularly in terms of explaining the positive role that agriculture could play in Ethiopia's development.

Stronger candidates were able to use this information as part of a broader answer, considering economic ideas and theories that they had learned. This was particularly the case in terms of evaluation, where higher scoring responses brought in ideas of primary product dependency, and a worsening terms of trade for primary products in the long run (the Prebisch-Singer Hypothesis) to support their arguments for diversification into manufacturing and services.

This was an opportunity for candidates to show their ability to answer synoptic questions, by bringing in ideas of price elasticity of demand and supply, and the likely reasons for market failure in agricultural markets from Unit 1. The best responses integrated this with Unit 4 ideas as outlined above.

#### Question 4d

This was generally a poorly scoring question, as many candidates failed to appreciate the difference between 'government-led' and 'market orientated' development strategies. Although candidates obviously had a good level of knowledge of strategies to promote development in general, many spent most of their response evaluating market orientated strategies (e.g. promotion of FDI, trade liberalisation, privatisation), which few marks could be awarded for.

Candidates made limited use of AD/AS analysis in their responses, which was disappointing, as often their points did lend themselves to this, and it would have allowed them to extend their analysis in a fruitful direction.

Similarly, application to context was done much less, and much less well, in response to this question than to the three earlier parts. Some valid answers were included in the extract (e.g. the Nile dam infrastructure project, the GTP), and so students must remember to use the data given in their responses to all parts of the question.

### Question 5a

This was a relatively straightforward question, which most candidates could gain some marks from. We didn't award a mark for simply stating 'the exchange rate increases' - there had to be some idea of what the currency had increased against, or in terms of.

Data reference was done to a decent standard, but candidates should be aware that we are looking for two pieces of data reference in such questions (e.g. two examples from Figure 1 here). A number of candidates gave examples from their own knowledge, rather than from the Figure, and these were not rewarded as data reference.

### Question 5b

This question discriminated well between lower and higher ability candidates, as all candidates were able to identify one way, and explain it to some extent, but stronger candidates could fully analyse two different ways in which a central bank could influence the value of its currency.

Any single policy was only awarded once, even if candidates explained its effect on the currency through different transmission mechanisms (e.g. a rise in the (relative) interest rate would cause hot money to flow into the economy, raising the demand for the currency, leading to its appreciation; and a rise in the interest rate would reduce consumers' spending, including a reduction in spending on imports, leading to a reduction in the supply of the domestic currency on the foreign exchange market, and hence its appreciation), or suggested it being used in reverse too (e.g. a rise and a lowering of the interest rate etc.).

Some candidates were confused between the government using a fiscal stimulus package, and the central bank operating a policy of quantitative easing, often thinking that these were the same policy.

Data reference was less well done in response to this question, possibly because it was assessing a more theoretical part of the specification.

Candidates do not need to evaluate their responses to 'analyse' questions.

### Question 5c

This question was well answered on the whole, and provided candidates with a very good opportunity to show their knowledge. Weaker candidates were able to explain the effect of a weak currency on an economy's trade balance, middle-ability candidates could then use AD/AS analysis to explain the likely effect of this on an economy's growth rate, unemployment rate etc., while the strongest candidates were able to bring in additional knowledge of Unit 4 content in terms of, for example, the positive effect on foreign currency gaps.

Similarly in terms of evaluation, all candidates were able to explain the likely effects on the inflation rate through either imported inflation, and/or demand-pull and cost-push inflation. Higher ability candidates were also able to correctly analyse the relevance of the Marshall-Lerner condition and/or 'J-curve' effect. Several candidates stated the Marshall-Lerner condition incorrectly, or appeared to incorrectly understand its significance, so perhaps this element of the specification would benefit from more teaching.

#### Question 5d

Candidates found this a rather difficult question to interpret, often failing to quite understand that it was asking about the effects of a general increase in protectionism (not just one country raising its trade barriers), on the global economy (again, not just on the one country increasing its degree of protectionism). Weaker candidates attempted to simply write out their notes on the costs and benefits of an increase in protectionism to the one country increasing its trade barriers.

Only a few candidates included a diagram showing the effects of a tariff in their responses, and of these, most failed to capitalise on this knowledge by fully explaining it. It was often drawn but not referred to in a candidate's written analysis.

This part of question 5 elicited the most solely theoretical responses from candidates, with most struggling to apply their knowledge and analysis to the real world, either in terms of the context of the extracts, or their own knowledge.

As this question asked just about the 'economic effects', candidates could approach this by considering the positive/negative effects in their analysis, and the opposite in their evaluation, or by analysing both positive and negative effects, and then evaluating them in terms of their likely significance. Most chose the first option, which perhaps meant that they did not think of some more obvious issues, like the degree and form of protectionism used, how different countries might be affected in different ways and to different extents, and the difference between likely short-run and long-run effects.



## Conclusion

- Candidates must understand where they are required to evaluate their answers (i.e. in response to both essay questions in Section A, but not to 'analyse' questions within Section B).
- They should also be reminded to read the questions carefully, and to make sure that they have addressed all parts of a question in their response (e.g. where a question asks them to refer to a country in their answer, to refer to data, or to answer in terms of the 'global economy' rather than one particular country, etc.).
- AD/AS analysis is a useful tool which candidates can often use to illustrate their responses, or extend their economic analysis.
- Where diagrams are used, candidates need to integrate them into their written analysis, rather than simply drawing them, and then not referring to them.

## Grade Boundaries

Grade boundaries for this, and all other papers, can be found on the website on this link:

<http://www.edexcel.com/iwantto/Pages/grade-boundaries.aspx>



Pearson Education Limited. Registered company number 872828  
with its registered office at Edinburgh Gate, Harlow, Essex CM20 2JE