Examiners' Report/
Principal Examiner Feedback

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Pearson Edexcel
International Advanced Level (IAL)
Economics (WEC02) Unit 2

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Introduction

Around 70% of candidates attempted Q10 rather than Q9. This was surprising as we thought that the context for Q9 would appear attractive to candidates and, with a focus upon the construction industry, provide a clear opportunity to achieve application marks for the use of case study references.

As in the January and June 2014 reports, more work is required on the interpetation of charts, graphs and numerical data.

Distinguishing between GDP and GDP gowth showed some very common misunderstandings. Again, as in the January and June 2014 reports, candidates need to learn pecise definitions and have more experience interpreting macroeconomic data.

For supported multiple choice questions, simply repeating the stem of the question or simply rejecting by saying cannot be A because it is B is not going to achieve a mark. A rejection mark must be explained.

The use of data and context is very important in Section B. In some cases candidates were completing purelygeneric responses, making no rerefence to the data and therefore not really ansering the question. Their knowledge, application and analysis marks were often limited as a result.

Diagrams must be drawn correctly for full credit. There were numerous examples of either partiallydrawn AD/AS diagams or incorrectly labelled dagrams. It is important that candidates practice drawing diagrams and labelling them correctly.

Candidates must understand the difference between SRAS and LRAS and this is represented in their diagrams. There were some excellent responses where candidates referrred to the effects of investment upon AD and LRAS. This demonstrated good engagement with the issues surrounding high and low levels of investment in bith Q9 and Q10.

Section A

Question 1
This question was generally not well answered with a very low mean mark and a mode of 0.

It was surprising how many candidates failed to notice that the question was about GDP growth and not GDP (there are no total GDP figures in the stem of the question or the data table). Many candidates selected Option B for the Part A. This showed that either the candidate did not understand the difference between DP and GDP growth or else had misread the question.

Candidates were rewarded for defining GDP growth or economic growth, although many defined GDP and failed to achieve marks.

Remember that candidates can achieve 3 marks for the explanation even if they get Part A incorrect; rejection marks are available even if part A is wrong so candidates shold be encouraged to explain why at least one of the distractors is not correct.

Question 2
There were some very good responses to this question with a mean of 3 and mode of 4 marks. Accurate diagrams were awarded 2 marks along with precise definitions to achieve 3 marks for Part B. Many candidates accurately defined inflation for which they were awarded a mark.

The rejection points had to be explained/developed to some extent to be rewarded with a mark. There were many examples of candidates simply offering the unsupported assertion that currency depreciation will increase AD without explaining why or that lower interest rates will create inflationary pressures with no explanation.

Question 3
Many candidates performed well on this question with a mean of 2 and a mode of 3, most achieving full marks for Part A and then going on to define macroeconomic policy objectives, with relevant examples (including economic growth and environmental sustainability). They then went on to analyse the clash, or trade off, between economic growth and environmental damage. Some tried to explain the clash in terms of the local farmers losing their jobs (increasing unemployment). This was not in the mark scheme as the mine would create employment. The focus of the question was upon economic growth versus environmental degradation.

Question 4

This question was not answered as well, wth a mean and mode of 2 marks. Many candidates are getting Part A correct and clearly understood the nature of capital investment and the relationship to productivity, AD and LRAS. However, many failed to note that investment as a % of GDP in Greece was **falling**. They talked about investment as a component of AD but did not refer to the impact of falling investment. They were not therefore awarded analysis marks for their response.

There were a few examples where candidates provided a diagram – this was acceptable and was rewarded for showing inward shift of AD or of LRAS. Some candidates provide diagrams but showed increasing investment which was not the case in this question.

Question 5

This was generally well answered with a mean of 3 and a mode of 4. A large number of candidates got part A correct. Many annotated the diagram correctly (a few created their own diagram) and then showed an understanding of commodities and the likely impact upon production costs (and impact upon SRAS). Some candidates who got Part A incorrect were still able to achieve a mark for Part B by associating commodities with (falling) production costs. Not many candidates seemed to attempt to cover the rejection marks which is always a risky strategy in terms of examination tecnique.It was pleasing to see that centres had apparently taken the advice from the January and June 2014 reports and learned about the impact of commodity prices upon the macroeconomy.

Question 6

There were many reasonable responses to this question, with a mean of 2 and a mode of 3 marks. Many candidates were able to either define the multiplier (using the correct formula) and/or complete the calculation, achieving 2 marks for Part B. They were less successful in explaining the multiplier, with some vague and confusing explanations. In order to achieve explanation marks it had to be clear that the candidate understand the process and did not just assert that "investment increases AD".

Question 7

This was quite well answered with a mean of 2 and a mode of 3 marks. There were some attempts to introduce micro analysis, increasing labour supply reducing costs for firms. Many candidates mentioned an increase in the size of labour force and were rewarded but very few linked this to potential output. Even fewer qualified the impact upon LRAS in terms of labour productivity, skills etc and so analysis marks were quite rarely awarded.

Question 8

This was generally well done with a mean of 3 and a mode of 4 marks. Candidates who provided a correct diagram achieved full marks. We were looking for a movement along the **SRAS** curve; many candidates simply labelled the curve as AS. If the diagram was not fully labelled then relatively easy marks were lost. Where there was no explanation of the mechanism (and no diagram) no application or analysis marks were awarded.

Section B

Most candidates attempted Q10 rather than Q9 for Section B.

As in January and June 2014, there were many formulaic answers which failed to apply knowledge to the data/economies in question. Also, there was again some confusion between the "causes" and the "effects" of policies or changes in economic variables.

Question 9a
This was generally well answered with a mean of 2 and a mode of 3.
Many candidates provided reasonable definition of ILO unemployment achieving 1 or 2 marks and with one data reference, usually the percentage change, thus achieving 3 marks . There were very few examples of candidates who went further, to suggest that the rising unemployment may have been due to the collapse of construction industry.

Question 9b
The general standard of responses to this question was disappointing, given the clear extracts and data, with a mean of 5 and a mode of 6 marks. We were looking for the use of data to discuss the boom and bust in the construction sector and its impact upon the Spanish economy. Many candidates used the data but did not really develop their analysis or offer much evaluation in terms of the macroeconomic impact. There were some purely generic responses discussing increases in AD with no reference to the Spanish context which could not achieve more that 6 marks for knowledge, application and analysis (KAA).

Question 9c
The mean and mode for this qustion was a low 4 marks. There were no marks here for defining unemployment, as these marks are awarded in Q9a. Candidates need to understand that repeated definitions are unlikely to be double marked. Data references were required to lift KAA marks above 4. Again, generic responses can only achieve Level 1KAA. For evaluation marks there had to be an awareness of the potential positive effects f unemployment upon inflation, wages or international competitiveness.

Question 9d
There was a mean of 3 and a mode of 4 marks for this question. We were looking for candidates to use the terms surplus and deficit accurately and relate them to the specific data. Then explain the relationship in each case (or implicitly through a logical explanation of deficit). There had to be an explanation of the relationship between unemployment and budget balance for more than 3 marks. Candidates who simply identified a surplus turning into a deficit (without data references), while unemployment increases, failed to explain the relationship. The explanation also needed to be in context for more than 1 mark to be awarded for each relationship. Candidates who just identified 1 relationship (EG high unemployment and budget deficit) could only achieve 3 marks. We were looking for an explanation of the surplus **and** the deficit for 6 marks.

Question 9e
There was a mean of 5 and a mode of 8 marks for this question. Most candidates referred to the case study, commenting upon reduced spending and higher taxation. Most completed a **correct** diagram for up to 4 marks. The use of context then allowed them to access above 6 marks for KAA. The evaluation content in the responses tended to be thin and this restricted access to the higher evaluation marks.

Question 10a
This was intended to be a relatively straightforward question targeting basic learning while providing the opportunity for some candidates to demonstrate a more sophisticated understanding of the measure. It was generally answered very well with a mean of 3 and a mode of 4 marks. The main reason for marks being lost was missing elements such as weighting or indexing against a base year.

Question 10b
There was a mean a mode of 4 marks for this question. Many responses this question were rather generic. References to the data and/or the UK economy were required to lift the response above 4 marks for KAA. The data emphasised the extent to which inflation is "imported" (cost-push) as a result of sterling depreciation, however candidates who commented upon the increased demand for UK exports were rewarded. In general, candidates who provided a relevant diagram tended to produce a more focused, coherent response.

Question 10c
This question was not well answered, although it was a fairly standard macroeconomic question. There was a low mean of 5 and a mode of just 4 marks. Many candidates failed to use the data effectively and were therefore unable to access above 6 marks for KAA. As in previous series, some confused cause with effect and did not really answer the question.

Question 10d
This question was generally answered well, with good definitions, data references and the candidates' own examples. Many candidates demonstrated a pleasing understanding of the concept of LRAS and full employment, as well as linking to improvements in productivity and efficiency. There was a mean and a mode of 3 marks for this question.

Question 10e
There was a mean of 6 and a mode of 7 marks for this question. A diagram was and data references were required to achieve above 6 marks for KAA. There were many generic responses without data references; there were clear references in the data (Extract 2) to low levels of investment in UK economy. Thus candidates who simply discuss the impact of increased investment were not answering in context. The question was about low levels of investment in the UK and the short and long term impact of this. It was not simply a question about investment as a component of AD.

Conclusion

Based on their performance on this paper, candidates are offered the following advice:

- Remember to look out for questions that ask you to evaluate your answer. In such questions, try to apply your evaluation to the specific analytical point that you havejust made. For example, rather than a throwaway comment at the end of a paragraph that "it depends on the elasticity of the AS curve" etc., explain what depends on this, why and how this affects your initial argument. Expanding on your evaluative points in this way will help you to achieve higher level evaluation marks.
- Watch your timing throughout the exam, and try to incorporate some time for planning your answers to the longer questions.
- Diagram must be correct to be awarded full marks. Labels for diagrams must show:
    - Y-axis: Price Level / CPI (Price on its own is incorrect)
    - X-axis: Real output
    - SRAS and/or LRAS curves labelled
    - AD curve labelled
    - Shifted curves labelled correctly
    - Changes in price level and real output labelled correctly

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