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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 58% of candidates attempted Q9 rather than Q10. Unfortunately, candidates who attempted Q10 tended to perform better than those who attempted Q9. This was surprising as we thought that the context for Q9 would appear attractive to candidates. As it was, answers to Q9 tended to be very generic and did not use the context well. Q10, by contrast, seemed to provide a better opportunity to achieve application marks for the use of case study references.

As mentioned in previous reports, more work is required on the interpretation of charts, graphs and numerical data. Question 8, for example, discriminated between candidates who were able to interpret graphical data and those who were unable to do so. Distinguishing between the rate of inflation and changes in the average price level showed some very common misunderstandings. Again, mentioned in previous reports, candidates need to learn precise definitions and have accrued experience interpreting macroeconomic data.

For supported multiple choice questions, simply repeating the stem of the question or simply rejecting by saying "it cannot be A because it is B" is not going to achieve a mark. A rejection point must be explained to be awarded a mark. It is also worth mentioning here that, in keeping with previous series and with WEC01, a rejection point has to be explicitly referred to in order to be awarded a mark.

The use of data and context is very important in Section B. In some cases candidates were completing purely generic responses, making no reference to the data, therefore not really answering the question. Thus knowledge, application and analysis (KAA) marks were often limited to Level 2 as a result.

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

Section A

Q1

This question was generally well answered with a mean mark of 2.5 and a mode of 4. Candidates needed to link reduced government spending to unemployment for be awarded explanation marks. Some candidates also successfully linked higher taxation to reduced AD and higher unemployment. There were a surprising number of candidates who simply asserted that reduced immigration (Point A) would increase unemployment but offered no explanation.

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 should be encouraged to explain why at least one of the distractors is not correct.

Q2

There were not so many good responses to this question with a low mean of 1.8 and mode of 1 mark. Accurate diagrams were awarded 2 marks along with precise definitions to achieve 3 marks for Part B. Many candidates did not apparently notice the term 'deflation' in the stem of the questions and therefore selected a policy that would be more likely to decrease inflation rather than prevent deflation. There was actually a mark available for defining deflation.

The rejection points had to be explained/developed to some extent to be rewarded with a mark. However, rejection point B could have been achieved simply by stating that a decrease in income tax is an example of fiscal policy rather than monetary policy.

Q3

Many candidates performed well on this question with a mean of 2.74 and a mode of 4, most achieving full marks for Part A by correctly annotating the diagram or drawing their own diagram and then going on to define the example in the stem as a supply-side policy.

Candidates are advised to annotate a diagram if this is suggested in the stem of the question. It is an efficient way of achieving 2 explanation marks.

Q4

This question was not answered as well, with a mean and mode of 1.5 marks and a mode of 0. This was a new type or format of question and appeared to be quite challenging. The main thing we were looking for here was an understanding of the likely impact of a strengthening currency upon SRAS and/or AD and some reasoning to support this. There was a mark available for simply defining exchange rate and a surprising number of candidates either failed to do this or else did not provide an accurate definition.

Candidates could be awarded a rejection mark for explaining why the AD OR SRAS shift was incorrect. They did not have to explain both to be awarded a mark.

Q5

There was a slightly disappointing level of response to this question with a mean of 1.8 and a mode of 2. The question was intended to test basic understanding of the circular flow of income model. The mark scheme rewarded candidates who defined government spending as an injection and taxation as a withdrawal. There was also a mark for definition a budget deficit.

Many candidates, including those selecting and explaining the correct Key, seem to think that the value of the multiplier is determined by the size of the injection. This is incorrect and indicates a lack of knowledge and understanding at this

level.

Q6

Again, this question was not answered well, with a mean of 1.9 marks and almost 25% of candidates with 0. The question was intended to test the interpretation of graphical data and an understanding of balance of trade in goods (visibles). The main problem seemed to be confusion about the difference between the balance of payments (rejection point D) and the balance of trade in goods. Indeed, many candidates selected point D as the key.

Rejection point D could have been achieved simply by providing an accurate definition balance of payments or stating that the balance of payments must always be in equilibrium.

Q7

This was quite well answered with a mean of 2.8 and a mode of 4 marks.
It was pleasing to see that centres had clearly taken the advice from previous reports and learned about the impact of commodity prices upon the macroeconomy. 2 marks were achieved by candidates who provided an accurate diagram and an additional mark for a definition of commodities or an example of a commodity.

Again, it is worth pointing out that rejection points needed to be explicitly referred to and explained to be awarded a mark.

Q8

Again, this question was not answered well, with a mean of 1.3 marks and almost 48% of candidates with 0. The question was intended to test the interpretation of graphical data and an understanding the relationship between changes in the rate of inflation and the average price level. There was evidence of a lack of basic knowledge about the meaning of inflation, disinflation and deflation. There were explanation marks available for defining inflation and disinflation. Surprisingly few candidates actually made any reference to the inflation rates or the periods of time shown in the graph.

Section B

More candidates attempted Q9 rather than Q10 for Section B.

As in previous series, there were many formulaic answers, particularly for Q9, 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. There were clear gaps in knowledge, particularly in relation to factors influencing savings.

Q9a

This was reasonably well answered with a mean of 2.1 and a mode of 2. Many candidates provided reasonable definition economic growth achieving 1 or 2 marks and with one data reference, usually a percentage change, thus achieving 3 marks. There were fewer examples of candidates who went further, to identify positive and/or negative examples of economic growth from the data.

Q9b

The general standard of responses to this question was disappointing, given the clear extracts and data, with a mean of 3.7 and 17% candidates only achieving 2 marks. We were looking for the use of data and extracts to identify likely causes (not effects) of the relatively high inflation in the UK. There were some purely generic responses discussing increases in AD with no reference to the data. Alternatively, there were responses identifying likely causes - E.G. higher rate of growth or lower rate of saving – but not developing an explanation.

Q9c

There was a mean and a mode of 4 marks (75% of the available marks) for this question. We were looking for candidates to use the terms injection and withdrawal accurately and relate them to the data, specifically Figure 2 containing data on investment and savings. Many candidates achieved 4 marks by explaining the difference but far less achieved full marks by adding appropriate data references.

Q9d

This question was not answered well, in comparison to Q10d, with a mean and a mode of 4 marks out of the 14 available. While some candidates understood factors that might contribute to different levels of saving and provided a generic response, without reference to the data, others simply highlighted the different levels of saving present in the data without any attempt to explain possible causes.

We were looking for the real interest rate on saving deposits, or expectations of future income and job security, or consumer confidence, as possible reasons in the context of the data provided.

Q9e

There was a mean of 3 and a mode of 3 marks for this question. Many candidates simply focused upon the positive aspects of the surplus from the point of view of the German economy and did not, in effect, answer the question.

There were many examples of AD/AS diagrams, specifically related to the German economy. Too few candidates widened their discussion to the eurozone. To the causes of the imbalance in the German economy and the impact this may have upon other eurozone economies such as Spain.

Q10a

This was intended to be a relatively straightforward question targeting basic understanding of nominal and real wages. It was generally answered very well with a mean of 2.4 and a mode of 4 marks. The main reason for marks being lost was a lack of an accurate definition of real wages. Many candidates simply provided the percentage change. It is always advisable for candidates to show their workings in such calculation questions.

Q10b

There was a mean of 5.3 marks and a mode of 7 marks for this question. It was generally done very well. Many candidates produce an accurate diagram showing an inward shift in SRAS (due to higher costs) or an outward shift in AD (due to higher disposable income). Some produced both of these diagrams, offering one as evaluation. There was some good use of context, with reference to variations in real wages over time.

Q10c

There was a mean of 3 marks and a mode of 4 marks for this question. It was generally done well. The main problem was where candidates looked at the causes of inflation rather than the costs/effects. Full marks were awarded to candidates who identified two costs and explained each one with a data reference. If the question asks for two costs, candidates must be sure to suggest two costs rather than one, three or four.

Q10d

There was a slightly low mean and mode of 6 out of a possible 14 marks for this question. This is because the questions asked the candidates to "assess the case for" an increase in interest rates, rather than simply provide a list of possible effects. This meant candidates who did not really answer the question were unlikely to use the data effectively, if at all, or to develop their analysis and tended to remain in Level 2 for KAA.

Q10e

There was a mean of 6 and a mode of 8 out of a possible 14 marks for this question. In general, it was done very well by many candidates. The main problem seemed to be the interpretation of the term 'sustained' in the question. Some candidates identified the magnitude of the decline in exports as an evaluative point and were rewarded for this. Others asserted that if the fall in exports were short-term then the effect would be less than if the decline were long-term but did not go on to look at the consequences of such a long-term decline. This meant that the evaluation did not develop sufficiently to achieve Level 2. There was some pleasing use of data by many candidates, who engaged well with the context of the case study.

Conclusion

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

- Learn accurate definitions and use these to define terms in the stem of supported multiple choice question.
- 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 have just 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 the higher level, evaluation marks.
- Watch your timing throughout the exam, and try to incorporate some time for planning your answers to the longer questions.
- Use accurate diagrams and refer to them in explanations for KAA and evaluation marks. An accurate diagram, with explanation in context, can shift a response from Level 2 to Level 3.

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