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In Economics (WEC02)

Paper 01 Macroeconomic Performance and Policy

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General comments

Significantly more students attempted question 9 rather than question 10. Performance on the two questions was broadly similar, although variable performance on Q9(b) brought the average for question 9 down a little.

As mentioned in all previous reports, more work is required on the interpretation of charts, graphs and numerical data. Question 3, for example, discriminated between students who were able to interpret graphical data and those who were unable to do so. For this question, distinguishing between the rate of inflation and changes in the average price level showed some common misunderstandings. Students need to learn precise definitions and have a suitable level of experience interpreting and analysing macroeconomic data relating to inflation, disinflation and deflation.

For supported multiple choice questions, in common with previous series, a rejection point had to be explained to be awarded a mark. Also, a rejection point must be explicitly referred to in order to be awarded a mark.

The use of data and context is very important in Section B. Therefore, a purely generic response, making no reference to the data or even to the students own examples, does not really answer the question. It is unlikely that a student will achieve above Level 2 for knowledge, application and analysis with a purely generic response.

Diagrams must be drawn and labelled correctly for full credit. There were examples of either partially drawn AD/AS diagrams or incorrectly labelled diagrams. There continue to be students who appear confused about the difference between normal supply and demand and AD/AS models.

Specific comments

Section A

Question 1

This question was generally well answered. Most students were able to calculate the correct figures required to answer the question. The main problem was with an understanding of the magnitude of the GDP per capita.

Remember that students can achieve 3 marks for the explanation, or in this instance the correct calculations, even if they get Part A incorrect; rejection marks are available even if Part A is wrong so students should always try to explain why at least one of the distractors is not correct.

Question 2

This question was generally well answered, although there appears to be reluctance on the part of students to annotate the AD/AS diagram as part of the explanation.

The rejection points had to be explained or developed to some extent to be rewarded with a mark.

Question 3

This question was generally well answered, although there are many students who either do not understand the difference between deflation and disinflation or are unable to apply their understanding. It is also important that students understand how a percentage increase or decrease in the CPI affects the average price level.

The rejection points had to be explained or developed to some extent to be rewarded with a mark.

Question 4

This question was generally well-answered, as most students understood that taxation is a withdrawal/leakage and spending an injection. Less were able to define a net injection or identify a budget surplus. It is important that students try to explain their answer, using correct terminology, to demonstrate good understanding of key concepts.

Question 5

The general level of response to this question was disappointing. While many students were able to define a negative output gap, not many were able to explain this with reference to the AD/AS diagram. Even less were able to annotate the diagram accurately.

It is important that students have a good general understanding of output gaps and the ways in which these can be defined and represented.

Question 6

This question pointed to a lack of knowledge of underemployment, although this is in the specification. Many students simply repeated the stem of the question, whereas we were looking for a more detailed, theoretical understanding of the under-utilisation of labour as a factor of production. This level of understanding was lacking in many responses although Part A was answered correctly.

Again, the rejection points had to be explained or developed to some extent to be rewarded with a mark.

Question 7

This question was quite well answered, with the best responses making reference to the diagram provided in the response and referring to the trade-off between unemployment and inflation.

Question 8

This question highlighted some gaps in basic knowledge and understanding. It was generally the case that students knew how to calculate the multiplier, probably having done this in class, therefore achieving full-marks. Unfortunately, some students either did not know the formula or were unable to use the formula to calculate the multiplier.

It is important that students have some experience of calculating the value of the multiplier from macroeconomic data.

Section B

Twice as many students attempted Q9 rather than Q10 for Section B.

As in previous series, there were many generic answers which did not apply knowledge to the data/contexts, or to actively use economic theory to analyse the data provided. There was some confusion between the “cause” and the “effect” in some explanations. There were clear gaps in knowledge, especially in relation to the balanced budgets.

Question 9(a)

This was reasonably well-answered with most students able to define ‘demand-side policies’ and achieve at least two knowledge marks.

Where possible, students should be encouraged to make reference to the relevant data provided, in this case Extract 1. This is so that the application marks can be awarded.

Question 9(b)

The responses to this question depended upon the student’s knowledge and understanding of the term ‘budget balance’. There were many responses that did not achieve marks as there was an extended discussion of exporting and importing.

Students who provided an accurate diagram showing an inward or outward shift in AD were credited when it was used to illustrate the effect of decreased government spending or increased government spending.

Question 9(c)

In this question we require an explanation on how low business confidence may affect growth and the use of examples from the data/context. While many students were able to explain the impact, few made reference to the data/context, although there were lots of valid examples both in the Extracts and in Figure 1 and Figure 2.

Question 9(d)

This was generally quite well-answered, with many discussions of the impact of unemployment upon AD, growth and the social costs of unemployment. There was some confusion about the impact of unemployment upon LRAS, with many saying that unemployment in itself reduces LRAS. The best responses wrote about imbalances within the EU, using the varying data on unemployment in Figure 2 to support their argument.

Question 9(e)

Most students understood the aims and some of the main drawbacks of supply-side policies. This was encouraging. However, evaluation in most cases was generic and confined to general comments about 'time-lags' and 'high costs'. The best responses used the data, where reference was made to the urgent need for increasing demand in the short-run, as a source of evaluative points.

Question 10(a)

This question was generally answered well, with an accurate calculation achieving full-marks. It must be remembered that answers must be accurate: a negative number or deficit had to be supplied; the answer should have been in billions of dollars. Many marks were lost due to a lack of care in presenting the correct answer, even though the basic calculation may have been accurate.

Question 10(b)

This question was answered quite well; with many students able make reference to the impact of low oil prices and the reliance upon international markets. This was then linked to low growth using an AD/AS diagram. The best responses also evaluated, noting that increased prices might increase growth and create inflationary pressure.

Question 10(c)

Again, this question was generally well answered with a good, generic understanding of 'fiscal stimulus', supported by an appropriate AD/AS diagram. The best responses made reference to the value of the multiplier and the likelihood that increasing incomes, consumption and investment might worsen the current account by increasing imports of goods and capital equipment.

Question 10(d)

This question was generally well-answered reasonably. It was clear that most students understood HDI as a composite index and many understood how the three components are calculated. The best responses also made reference to Nigeria's relatively low HDI value and ranking.

Question 10(e)

There were some coherent, generic responses to this question showing a good level of understanding of how the economy may become less dependent upon imports. Not many students were able to suggest specific policies, such as increasing investment in education and training, or in new technology, that may be used to achieve the objective. Even fewer students were able to evaluate, making judgements as to the likelihood of success of such policies.

Paper summary

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

- Learn accurate definitions and use these to define terms in the stem of a supported multiple choice question or in the correct key.
- Remember to look out for questions that ask you to evaluate or assess your answer. Know the command words so that the written response matches the assessment objectives for the question.
- Plan both the analysis and the evaluation before starting to write the response. Try to make reference to the context both in analysis and evaluation.
- 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.
- The Figures are provided to supply data that can be used to support analysis and evaluation. Do not restrict data references to the Extracts alone.

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