Examiners' Report

Principal Examiner Feedback

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Pearson Edexcel International Advanced
Subsidiary in Economics (WEC01/01)
Paper 1: Markets in Action

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Introduction

This is the final sitting of this paper. Overall in this last series the performance of candidates was better than in previous series. All candidates were using the final resit opportunity.

The performance on the multiple choice section was above the performance in the previous June series. Candidates typically selected an answer and went on to offer an explanation for why the answer was right or offered to explain the rejection of an alternative answer.

Overall candidates performed better compared to the previous June series on the data response questions.

In the supported multiple choice section candidates were typically able to achieve marks for either definitions/ explanations or identifying the correct key with some explanation.

On the data response section question 9 was slightly more popular than question 10. Candidates attempting question 10 outperformed those attempting question 9.

Diagrammatic analysis on the work from the better candidates was accurate and was integrated with their written analysis. They would not only draw the diagram accurately but talk about what they learn from it in their written explanation. This enabled them to consistently achieve within the top level. This was particularly true for those drawing a buffer stock and subsidy diagram in question 9 and a minimum wage and external costs diagram in question 10.

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. A greater number of candidates also performed well on the 10 and 14 mark questions as more developed their analysis points and offered developed evaluation.

Most candidates were able to complete the paper in the time available though some struggled to develop their answers for questions requiring evaluation.

The performance on individual questions is considered in the next section of the report. The feedback on questions shows how questions were well answered and also how candidates could have improved their performance.

Section A: Supported Multiple Choice

Most candidates were able to access marks on each question in this section of the paper. The mean score for the supported multiple-choice questions was above the previous June series. 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.

The key way all candidates at every grade were able to access marks was being able to define the main concept in the question. 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. It was very rare this season to find a box not complete and very rare was the letter in the box different to the answer being justified.

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 required candidates to explicitly state the option key being rejected and

then to offer an appropriate explanation as to why it is wrong. Thankfully it is now rare for candidates to fail to identify the incorrect option key. A significant number were using the rejection mark to achieve their last mark on these questions. When rejecting it was important that candidates explained why it was not the correct answer.

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.

Section B: data response questions

The data response questions have a substantial weighting for evaluation marks (16 out of 48 marks). Consequently, it was vital that candidates made evaluative comments when required by the question. The 14 mark question comprises 6 evaluation marks and a 10 mark question comprises 4 evaluation marks. To achieve the higher level they needed to not only identify evaluative points but develop them to explain their point. To reach level 3 these points must be less generic and more in the context of the question. There was a significant improvement in the numbers evaluating with both development and context.

Question 9 was marginally more popular than question 10. Students performed marginally better on question 10 than question 9.   Question 9 related to dairy products. Question 10 related to Qatar.

Question 1

The two statements presented were positive statements and most could identify C as the correct key. Most defined positive statements to gain 1 mark. Then most went on to define normative statements which gained no credit as it did not support explanation of the correct answer. Better candidates could explain that it could be proved that Sweden increased its spending on health and Ireland reduced its health spending. Some explicitly referred to the data to show the data that would be verified.

Question 2

Most were able to identify that the population decline would see the PPF shift inwards and selected B as the correct answer. Typically, candidates defined Production Possibility Frontiers accurately. Better candidates would explain the reduction in the size of the population would means less were available to work in the labour market and then gain the final mark by explaining that this means the productive potential falls. The rejection marks were commonly used, A due to this showing the impact of a population increase, C being unobtainable/ unattainable and D showing a movement to a less efficient outcome.

Question 3

Candidates found this question more challenging. B was the correct answer. Nearly all defined price elasticity of demand for a mark. Many defined income elasticity of demand but this did not help answer the question so did not gain credit. Better candidates could explain that customers would respond less than proportionately to a change in price so that revenue would rise. Some effectively drew a diagram to illustrate the impact on revenue. Many effectively rejected C by making reference to the data showing it was a normal good as the YED was positive. D was effectively rejected with reference to the fact the value –0.07 is relatively inelastic.

Question 4

The majority of students could identify that D was correct, in that the wage rate would rise in response to increased demand for hybrid cars. Most identified or defined derived demand to gain a further mark. It was common for students to draw a diagram showing increased demand for labour and a higher wage. It was pleasing to see very few examples where they did not include wages and instead included price on the y axis. Others would explain that higher sales of hybrid cars would result in more production and therefore more demand for labour and put upward pressure on wages.

Question 5

The question looked at why consumers would not switch gas and electricity providers despite significant savings by doing so. Many could identify that this was due to habitual behaviour in terms of identifying D as the correct response. Most defined habitual behaviour although there still seems to be the confusion between inertia and habitual behaviour. Inertia is where people decide not to switch as the effort to do so is too great. Habitual behaviour is where consumers become loyal to a brand and would rather keep to their habit of using the same supplier. Better candidates looked at why this would be irrational behaviour as they did not maximise utility. Many rejected the other options, with A and C most likely to be rejected.

Question 6

The question considered a furniture maker who moves from workers making bookcases from start to finish to applying the division of labour. Most could identify that output per worker would increase. Most defined the division of labour effectively. The better responses explained that using the division of labour meant members of staff did not need to keep changing tools between each task. Those that rejected D referred to how training workers would become simpler by only having to train them on one task enabling the time taken to train them to fall.

Question 7

Most could identify that the state had a role to provide public goods. Most would define a mixed economy or public goods. Most gave an example of a public good to gain an additional mark. The best responses could explain the free rider problem and how this means firms cannot generate a profit so will not provide the good. In rejecting A many talked about how they would impose a tax on goods with external costs. For C many referred to how good with external benefits are more likely to be subsidised.

Question 8

Candidates found this question more challenging. As in previous series candidate still have the impression that a tradeable pollution permit scheme involves taxing the polluters which is not how a permit scheme works. Most understood that a firm has a limit to the level they can pollute and that less polluting firms can trade these with more polluting firms. Many rejected A to explain that they would not subsidies polluting firms.

Question 9

Part a

The 6 mark question considered why the price of butter had increased. To gain full marks on this question candidates needed to shift both supply and demand. Many failed to do so and shifted just one. Candidates often failed to refer to the data to summarise the change in price. Most could identify a demand factor from the Extract. Demand factors were more likely to be omitted. When

they only shifted one of the curves they were limited to 1 mark for the diagram. Where they shifted both with the original and final equilibrium they could access 3 marks for the diagram.

Part b

This 14 mark evaluate question looked at the impact of the increase in the price of butter on food manufacturers. It was impressive that so many made explicit reference to examples from the Extract including biscuits, cakes, pastries and fudge. Most made reference to the rise in butter prices increasing the costs of production. Most used diagrammatic analysis to look at the impact on price and quantity. Candidates that tended to get close to or into Level 3 looked more widely at impacts on producer surplus and consumer surplus, revenue, profit and considered the impact on substitute products such as margarine. Evaluation was often generic considering issues like magnitude but better candidates related this to the scale of the price rise. Others looked generically at time factors but better work considered how contracts for buying butter could have an impact.

Part c

This 4 mark question saw most able to define substitutes but fewer identified that this meant the XED would be positive. Many identified that the value of +0.08 made margarine and butter substitutes. The very best candidates were able to explain that they are not close substitutes as the value of XED is so low.

Part d

This 10 mark question on buffer stock saw candidates perform well. Most defined buffer stock and explained that when price rose above the ceiling that the government would sell from its buffer to stabilise the price. Better candidates linked to how this helped consumers as price did not get too high. There was some useful diagrammatic analysis. Evaluation was focused about deciding the best place for the ceiling or floor to be set. Many used the Extract to identify that they will only provide unsalted butter and that the scheme operated between March and August. Many often looked at the impact of storing butter.

Part e

This 14 mark evaluate question considered the introduction of a subsidy for milk in Nepal. Most effectively illustrated and integrated the use of a diagram. Weaker candidates would tend to shift supply correctly and show the impact on price and quantity. Better candidates were able to consider the impact on producer and consumer surplus or producer and consumer subsidy. Better candidates also considered the impact on a range of economic agents including consumers, producers and the Government. The best evaluation looked at the fact it only supported farmers producing more than 500 litres and the fact that the subsidy was only 1 rupee per litre.

Question 10

Part a

As with the 6 mark part in question 9 many candidates only considered a change in supply or demand but both needed to be shifted. Candidates often omitted to make reference to the explicit change in the price of oil. Most made reference to the discovery of oil in the US or increased production in Libya, Iraq or Saudi Arabia. Fewer made reference to the slowing global demand and low rates of economic growth. Those achieving the higher grades shifted both supply and demand and gained 3 marks for the diagram for getting the correct original and final equilibrium.

Part b

The 10 mark assess question looked at indirect taxation. Most defined indirect taxation and drew a diagram to illustrate the impact. The better candidates appreciated that a percentage tax made it ad valorem and they pivoted the supply cover appropriately. Candidates able to achieve the highest levels considered the impact on a range of economic agents including consumers producers and government. Analysis focused on price and quantity tended to be limited to Level 2 but where they were able to consider consumer and producer surplus and tax revenues including incidence they were more likely to access Level 3.

Part c

Candidates performed better on this question than in the corresponding 4 mark part in question 9. Most defined renewable and non-renewable resources accurately. Where some candidates struggled was with the examples. These needed to come from the Extract. Most identified solar and wind turbines but few made reference to natural gas and used other known examples not in the Extract.

Part d

This 14 mark evaluate question looked at the impact of the introduction of a minimum wage in Qatar or construction workers. Most defined minimum wage and incorporated a diagram to consider the impact, better work integrated this into their analysis by considering the impact on labour supply and labour demand. The use of appropriate reference to the contraction of demand and extension of supply of labour was well rewarded though it was not common. Better candidate developed the response with specific reference to Qatar's construction sector making reference to migrant labour and the need to still build the stadia even when costs rise. Much of the evaluation focused on the fact the magnitude and time scale are unknown and the difficulty in deciding the best rate.

Part e

This 14 mark evaluate question looked at the impact of the external costs caused by the construction boom. Most defined external costs and made reference to external costs from the Extract. Better candidates were able to look at how each affected third parties. Better responses included a diagram and accurately showed where the welfare loss was. Evaluation focused on it being 10 times the recommended amount and that it takes time to emerge. Many looked at how air pollution may have been caused by other factors.

Paper summary
This is final paper for WEC01. The advice below is feedback on the teaching of the content within this unit. Some of the advice will be helpful for delivery of the new specification WEC11:

Section A: supported multiple choice

• Define accurately the key economic term(s) used in each question.

• You will often find definitions alone are awarded one mark and only occasionally two marks. Candidates should not spend too much time defining only.

• When diagrams are provided avoid wasting time by redrawing the diagram from scratch.

• Be prepared to draw diagrams when relevant to the question and make sure these are properly labelled and explained in the text.

• Always refer to the information provided explicitly, it is better to refer to specific numbers, for example prices or level of indirect taxation.

• 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.

• On question 5 candidates must be able to distinguish between inertia and habitual behaviour as many are confusing them as the same thing. Inertia is about inaction, habitual behaviour about loyalty.

• When teaching tradeable permits it is helpful to candidates to ensure they understand that this does not involve taxation when firms pollute above their permitted level.

Section B: data response

• Focus on developing economic analysis in the high mark base questions. A number of candidates moved from definitions and a brief explanation of an economic issue straight into evaluation. This was evident in 14 mark questions. Economic analysis typically involves explaining the sequence of events leading up to a particular outcome.

• Where diagrams are requested these should be drawn as they will be well rewarded- do be careful with the accuracy of these.

• Where diagrams are not requested but it helps with your analysis then they should be encouraged.

• Diagrams that add detail such as referring to welfare loss, incidence, revenue or surpluses were able to access the higher levels.

• Diagrams did best when integrated into analysis when the points on the diagram are explicitly referred to.

• 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 at least 2 and possibly 3 evaluation points. Similarly a 10 marker will normally require 2 evaluation points for 4 marks.

• Having identified externalities from extracts it is important to explain who is affected and how they affect the third party.

• When drawing indirect taxation diagrams it is useful to consider whether it is a specific or ad valorem tax. Many drew specific despite it being a percentage tax and clearly ad valorem.

• On both questions looking at explaining why the price changed the candidates needed to shift two curves and it was common for candidates to only shift one even when they identified two factors.