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Examiners' Report
Principal Examiner Feedback

January 2020

Pearson Edexcel International Advanced
Subsidiary In Economics (WEC12/01)

Paper 01: Macroeconomic performance and
policy



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Introduction

This is the first sitting of the January series of this paper. Overall the results on this paper were similar to those in October.

The performance on the multiple choice section was similar to the performance in the October series. Most candidates were able to offer correct answers on most of the questions, the interventionist supply-side policy and current questions were the most challenging.

Overall candidates performed in line with the October series on the data response questions.

In the section B, short answer questions, candidates were typically able to achieve marks for either accurate definitions/ explanations using data or identifying the correct key with some explanation.

On section C students that were able to fully apply their answers to information provided about the Canadian economy achieved higher marks. Diagrammatic analysis was used most effectively when accurately drawn and integrated into the candidate's written analysis. The diagrams could then be rewarded with both application and analysis marks. Candidates who offered accurate definitions scored well on the knowledge marks. Many candidates did not develop their analysis and evaluation beyond two stage chains of reasoning and therefore their answers did not move into highest levels of marks.

Candidates achieved slightly higher marks on section D than in October. Slightly more candidates opted for question 14 above question 13. Many students did not address the need to apply their answers to a country of their choice, which prevented them from reaching level 4 analysis. Analysis was often descriptive or superficial which prevented students reaching the higher level marks.

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

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:

The multiple choice section, the candidates performed best on the Phillips curve circular flow and economic growth questions. Candidates performed the least well on the government budget question and this may need attention in centres.

Section B:

The short answer question, most candidates were able to access marks on each question in this section of the paper. Those candidates achieving the highest grade carefully read each question and offered accurate definitions, data and diagrams to support their answers.

Question 7

Most candidates were able to offer a definition of net migration for one mark. Not all candidates applied their answer to the data provided in the question stem. A number of students did not fully address the question and offered impacts of net migration that did not link to a change in the LRAS curve. The strongest candidates often offered an explanation with accurate shift in the LRAS curve.

Question 8

The strongest candidates were able to offer a precise definition of a inflation as a rise in the **average price level**. Most students were able to offer a good definition of disinflation for a second knowledge mark. Vague definitions were not rewarded. Most candidates were able to identify two separate applications one for inflation and one for disinflation. A number of candidates confused deflation and disinflation and did not receive the second application mark.

Question 9

Most candidates were able to offer an accurate definition of real income, though a few confused the adjustment for inflation with an adjustment for tax. Marks were awarded for a definition of the net trade balance, though few candidates offered one. Not all candidates applied their answer to the data provided in the stem, which stopped them from gaining an application mark. A large number of candidates offered generic impacts of an increase in net income and did not link it to the net trade balance. A few candidates explained possible reasons for an increase in real income. In both instances no analysis marks were awarded. Some students offered tenuous links between real incomes and the net trade balance sometimes achieving one mark. The strongest students offered were able to identify the increase in real incomes impacts on demand for imports and potential worsening of the net trade balance.

Question 10

A number of candidates misread question 10, and did not offer long run AS and AD diagram offering a short run equivalent. A large number of candidates also offered shifts in the LRAS or AS when the question asked for a change in AD. Students still achieved marks if the LRAS shifted along with AD on this paper, however students must carefully read what the question is asking of them for future exams. Some candidates used micro labelling for the axis and this lost knowledge marks. Many candidates also offered written explanations for this question, these are not required for 'draw' questions.

Question 11

Most candidates were able to provide the formula of the multiplier for one mark. A number of candidates calculated the multiplier for an additional mark but did not calculate the overall change in GDP after the investment. Many candidates did calculate the answers accurately, of those a few did not include the units as billions therefore did not achieve full marks.

Section C:

The data response questions require candidates to use the source booklet provided when answering the question. Generic response do not score high marks when marking their answers. Evaluation is marked separately to the knowledge, application and analysis and is required for both the 8 and 14 mark questions.

Question 12(a)

Most candidates achieved at least one mark for this question and many two. They were able to offer a definition of consumption, for two marks. Or part of a definition with additional knowledge for a second mark.

Question 12(b)

This question required students to explain the term real GDP growth rate with reference to figure 1. Most candidates were able to define a real GDP for one marks, many didn't reference growth rate for the second mark. Most students achieved the application marks in this question. Providing two accurate references to figure 1.

Question 12(c)

Candidates were confident when applying their answers to the case study in this question, often achieving two marks for application. Only the most able students achieved two knowledge marks for identifying the increase in house prices as the wealth effect and providing an accurate definition of it. Many students were able to offer some developed analysis of the impact of higher house prices on the Canadian economy, linking it rising confidence and consumption. Quite a few students answered this as a microeconomic question, and explored the impact of rising house prices on the supply and demand for houses. It is important that candidates focus on macroeconomic consequences on this paper for their answers to be worth credit.

Question 12(d)

This question was the first that requires evaluation and candidates were aware of this. Not all students could define wellbeing for knowledge marks, and achieved these marks by identifying government policies to improve wellbeing instead. The source booklet offered lots of opportunities for application and it was pleasing to see most candidates using it to develop their answers. Many candidates provided two policies with limited development of the impact, this was sufficient to be awarded both analysis marks. Some students used their application as their impact and this could not be rewarded for both analysis and application marks. It is worth centres explaining this to their students so they are aware of the need to develop their analysis beyond the application they have provided. Evaluation was often present but not always developed enough for two marks. The evaluation needed to be critical of the impact of the policy to increase wellbeing, and not a generic evaluative comment.

Question 12(e)

This is the first question that is marked by applying levels. These questions require multi-stage chains of reasoning when explaining cause and consequence, therefore the questions require more developed analysis than in previous questions.

Often candidates did not provide developed arguments which prevented them from moving into the higher levels for knowledge, application and analysis. Candidates often confused the low level of investment in Canada with negative investment. Many candidates also incorrectly linked a fall in investment with a fall in productivity without providing adequate development. In both instances students scored into level 1 for knowledge application and analysis. Better students explained the impact of low investment on long term economic growth and ability to remain competitive in the future. These arguments were well developed and often linked to a diagram.

Evaluation on this question needed to explore causes the negative consequences suggested in the candidates analysis. Many candidates explored policies the government might use to

raise growth and productivity. These points are not in context and do not address the question, therefore worthy of level 1 at best. Evaluation comments needed to be fully developed to move into the highest level. Many candidates offered comments with practically developed chains of reasoning, therefore evaluation could not move out of level 2. Two evaluative comments are required for a 14 mark question.

Section D

The essays were better than the October series. However, candidates did not always fully address the question asked. Too many responses offered descriptions of well learned economic facts rather than applying these to the question asked. Analysis and evaluation was often superficial. Very few candidates linked their answer to a country of their choice.

Question 13

This was the less popular of the two options. This question required candidates to evaluate the costs of rapid economic growth. Most candidates were able to provide a number of analysis points, however, the majority of students did not fully apply their answers to a country of their choice, a number lifted the text from the stem in the question as application. Responses that did not offer a developed country context rarely achieved high level 3 for knowledge, application and analysis.

Better students were able to provide examples of the costs of economic growth in context. These candidates often sighted environmental impacts, inflation, inequality and additional costs to the government as examples. Stronger candidates supported their answers with an AS-AD diagram. Though there is no need to learn lots of data to quote in the exam, stronger students were able to provide very detailed examples of the costs and consequences of growth to achieve level 4 for knowledge application and analysis. Responses that did not provide examples could only reach level 3. A number of students used a scatter gun approach to answering, listing multiple costs without development, and these responses achieved level 2 at best.

Common evaluation explored the benefits of economic growth, and this was often well explained. Those candidates that discussed benefits of growth with development achieved level 3 for evaluation. The magnitude of the cost of rapid economic growth and the comparison between the short-run and long-run was regularly sited and rarely developed achieving level 1 evaluation. Some of these evaluation points were generic and lacked context. For many candidates their evaluation was supported by a partially-developed chain of reasoning achieving low level 2.

Question 14

Candidates typically started by defining reflationary demand-side polices, and often listed them. Students should be discouraged from doing this as they waste a lot of time in the exam doing this for little reward. Many candidates explored the impact of reflationary demand-side policies on a generic economy and did not provide examples of a country to offer context. These responses could not achieve more than level 3. The strongest candidates were able to provide examples of different impacts of reflationary policy in context, offering developed chains of reasoning supported with a diagram. Only a few candidates achieved level 4 for knowledge, application and analysis. Too many candidates provided superficial or two stage chains of reasoning that prevented their response achieving higher marks.

Evaluation was often not as strong as the knowledge application and analysis. Strong evaluation addressed the economic climate needed for reflationary demand-side policies to work, such as confidence and future expectations. Many students explored the effectiveness of policy using an

AS-AD diagram when discussing the proximity to AD to the Y_F . A number of candidates also evaluated the difference between the short run/long run or the size of the policy. Many of these more generic evaluations only achieve level 1 if not well developed. The majority of students did not include an informed judgement required for level 3.

Paper summary

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

Section A: Multiple Choice

- Candidates need to know understand what interventionist supply-side policies are
- It is important that candidates can interpret data accurately
- Candidates must read each question and consider all of the options available.
- Candidates need to be able to calculate percentage change
- Candidates need to be able to distinguish between interest rates and exchange rates

Section B: Short Answer Question

- Candidates need to learn how to interpret the difference between command words (draw, calculate and explain) and know how to answer the question accordingly
- Candidates need to remember to include application in these answers
- Candidates must learn accurate definitions and use these to define terms in the stem
- When asked to draw a diagram all marks can be achieved through the diagram and no written explanation is required. Many candidates supported their response with a written explanation when in fact the diagram had achieved full marks.
- Many candidates did not know an accurate definition of net migration/ net trade balance/ inflation
- Many candidates could not calculate the multiplier, centres should continue to practice quantitative techniques with their students

Section C: 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 12 e. Economic analysis typically involves explaining the sequence of events leading up to a particular outcome.
- When candidates are required to define or explain a key term, they must provide a detailed and accurate definition. For 12 b, a two part definition is required.
- When asked to refer to an extract, candidates must use the case study to support their answer for application marks.
- Use accurate diagrams and refer to them in explanations for KAA and for evaluation marks. An accurate diagram, with explanation in context, can shift a response from Level 2 to Level 3 for both KAA and for Evaluation.
- Where possible, use the data provided to illustrate or support your analysis and evaluation. Remember to use the data and do not just copy it out.

Section D: Essays

- Carefully read the question and ensure your response answers this.
- If a country context is required, ensure one is used throughout your answer.
- Avoid using pre learned answers, make sure your theory is applied to the question.
- Define the key terms relevant to the question.
- If relevant, include a diagram and explain it as part of the write up.
- Ensure you provide multiple chains of analysis for depth and focus on a few key points for breadth in analysis
- Evaluation points should be made and linked to the context of the question. These should have a chain of reasoning or sufficient development to be able to achieve Level 3.
- To achieve Level 3 for evaluation in the essay it is necessary to include an informed judgement.