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In Economics (WEC14/01)

Unit 4: Developments in the global economy

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Introduction

This is the October series for assessment of WEC14 Developments in the global economy. The examination tests the candidates' abilities to select and apply appropriate economic concepts, theories and techniques in a variety of contexts. As Unit 4 is a synoptic unit, the examination may draw on material from Units 1, 2 & 3.

In **Section A**, the multiple-choice section, candidates performed best on terms of trade and international competitiveness (5 and 6 respectively). The two questions with focus on regressive taxes and tariffs were the least well answered questions in this section (2 and 4 respectively) and this part of the specification may need attention by centres. On the remaining two questions, candidates performed marginally better.

In **Section B**, the data response section, questions are based on information provided in the source booklet.

7a: Candidates only access two marks by correctly calculating the exact base interest rate. Most candidates scored two marks for the correct calculation.

7b: Most candidates were able to analyse the likely impact of an increase in the base interest rate on 'Zambia's balance of trade with South Africa'. However, only a small percentage of candidates could fully explain the impact to access both analysis marks.

Application marks were frequently awarded for appropriate references to Extract A. Some candidates evaluated their analysis points, but this was not credited as this is not a requirement of the question.

7c: This question required an explanation of 'Gini coefficient'. Two relevant pieces of data were required to attain the two application marks. Many just mentioned (A/A+B) in the definition and they were only able to access 1 mark.

7d: A vast majority of candidates were able to examine two problems arising from the dependence on copper for the Zambian economy. Two knowledge and two application marks were often awarded for relevant use of the source. However, several candidates copied paragraphs from the extract and were not able to obtain analysis marks. This is an area which all the centres are advised to address. Many responses were also not able to access evaluation marks as they gave solutions to these problems rather than directly answering the question.

7e: Most candidates made effective use of the source and were able to discuss economic factors, apart from primary product dependency, that may constrain Zambia's economic growth. A low proportion of candidates developed their analysis with clear chains of reasoning to achieve at least Level 3 KAA marks. A common feature in responses was to try to cover as many measures as possible but without any development in the analysis. As this is a data response question, the candidates are required to examine the factors that have been given in the extract and not from their own knowledge, unless specifically mentioned.

A significant change in the new form of assessment for WEC14 is that 7e has 6 marks out of 14 available for evaluation. In order for candidates to access higher level evaluation marks, they need to develop a chain of reasoning in their evaluative comments.

In **Section C**, candidates have the opportunity to choose two out of three questions. The section was more demanding than previously, and this is reflected in the mean scores on all three questions. Question 10 was most popular followed by question 9 and then 8.

In all three questions candidates' knowledge of relevant economic concepts was sound but they often struggled to apply it to the context of the question. Another challenge was the level of analysis. As in question 7e, answers often lacked a fully developed chain of reasoning. This is because they focussed their explanations on several points, and this meant they did not have time to develop them. Some candidates drew appropriate and accurate diagram(s) and incorporated it with sound analysis. This facilitated them in consistently achieving within the top levels.

Evaluative comments were often made and, whilst some offered supporting evidence and were linked to the context, many were unable to offer logical chain of reasoning. It should be stated that 8 marks are now awarded for evaluation in the essay section. A reference to a country will always form part of the questions in Section C. Candidates are expected to have an awareness of countries to form a basis of their arguments and to achieve the highest levels.

The questions were accessible at all levels and offered good opportunities for candidates to differentiate by ability. Answering the exact question asked, integrating the data with analysis and strong evaluation continue to remain the essential ways that the A-grade candidates achieve higher marks. It appears that most candidates were not actually able to complete the paper in the time available.

Moreover, candidates are highly encouraged to have better structure to their answers. Many have written essay questions in bullet points and some have written in long blocks/ paragraphs without making a clear distinction between analysis and evaluation. This was also seen in the higher mark question in Section B.

The performance on individual questions is considered in the next section of the report.

Section A

Question 1

This question concerned the likely impact of a decrease in public expenditure. This was a reasonably well answered question of this section with many candidates obtaining the one mark. The correct answer is B as this leads to a decrease in crowding out.

Question 2

For this question candidates needed to identify the category that a tax on fuel comes under. The correct answer is C - a regressive tax. Many confused this for either direct or progressive tax.

Question 3

Not many candidates correctly identified the market-orientated strategies that could promote economic development in Niger. Some selected option A, getting confused with interventionist strategies. The correct option is D - promotion of microfinance schemes.

Question 4

The correct answer is A. Many candidates were unable to correctly deduce from the tariff diagram that the consumer surplus area had decreased. Distinction between consumer and producer surplus needs to be covered.

Question 5

Candidates tended to perform reasonably well on this question, which asked candidates to analyse the chart showing Austria's terms of trade. The correct is B, which is where import prices have risen at a faster rate than export prices. The other given options show that export prices have fallen at a faster rate than import prices.

Question 6

For this question, candidates needed to identify combinations of unit labour costs and export prices that would be the most likely impact of an increase in labour productivity. The correct answer is A where both are likely to fall.

Section B

The source booklet focused on the economic outlook of Zambia. It comprised of one graph showing world copper prices between 2016 and 2020. There was one extract that highlighted the constraints to economic growth and development of Zambia, and the key policies the Government could implement to reduce its dependence on copper.

Question 7a

Candidates needed to calculate Zambia's base interest rate in April 2019. Although many of total candidates scored the maximum of 2 marks this still indicates that a few were not able to calculate correctly. It is important to use the data carefully for calculation-based questions.

Question 7b

This question required candidates to analyse the likely impact of an increase in the base interest rate on 'Zambia's balance of trade with South Africa'. Most responses included the impact on hot money flows and its impact on demand for currency and therefore imports and exports. Some candidates took an alternative approach and discussed the impact of interest rate on consumption and linked it to imports. They were also able to access the two application marks by using relevant data from Extract A.

Question 7c

Many candidates were able to successfully explain the Gini coefficient and only a few candidates did not attain full marks. A common response was to explain it in terms of the Lorenz curve and showing the area $A/A+B$. To access both the application marks, candidates had to include two pieces of data from the extract. Some candidates only offered one, and not both. Given the nature of the question, it is key to cover all aspects of the answer in knowledge and application.

Question 7d

The question required candidates to examine two problems arising from the dependence on copper for the Zambian economy. Most candidates were able to identify the problems from the extract and were also able to gain the two application marks required. However, many found it difficult to analyse these points and struggled in understanding that this question related to problems for Zambia and not countries trading with them. Many just copied paragraphs from the extract and did not explain it. This did not allow them to gain the higher marks.

Evaluation was lacking and not very well written with some only identifying a point and not explaining it well. There were some candidates who did not make an attempt of writing any points. For 8-mark questions and above, evaluation is a key requirement and should be included.

Question 7e

Candidates needed to use the source to discuss economic factors, apart from primary product dependency, that may constrain Zambia's economic growth. It is important that candidates select any two factors and develop their analysis by focusing on those points rather than trying to cover as many measures as possible, some of which are not in the source provided. This will allow candidates to access the higher levels of response.

A handful of candidates were able to successfully identify and explain factors such as poor healthcare and education and weak infrastructure. They were able to integrate this with the application given in the source from Extract A. This gave them access to Level 3. However, many candidates just copied the source and did not explain their points. This gave them access to Level 1 only.

Evaluation points made were fairly sound. They included references to short run vs long run considerations. Many included time lags as an evaluative comment but were not able to successfully support this point using a logical chain of reasoning. Candidates should ensure that they do this as opposed to listing a number of separate undeveloped points.

Section C

General points:

Candidates often make a number of valid separate points but do not develop a coherent chain of reasoning. In addition, a large number of candidates do not include any form of contextual reference and consequently will not achieve the higher level marks. Context can be from the stem provided in the question and/or from other examples effectively used by the candidate. A reminder that just writing a country name in the answer does not merit as application.

For evaluation, candidates should provide a partially developed chain of reasoning to attain at least Level 2. Writing a list of points will only give candidates access to Level 1. An informed judgement is needed in order to gain a Level 3 evaluation mark.

Candidates are not expected to write four analysis and three evaluation points, like in the old specification. They can select two analysis points and develop them by focusing on those points rather than trying to cover as many points as possible.

Question 8

This question asked candidates to evaluate the likely impact of rapid economic growth in emerging economies on world trade patterns. In addition, to access high Level 4 for KAA, candidates are required to refer to a country of their choice in their answer.

Not many were able to explain the impact on world trading patterns. They discussed the consequences of rapid economic growth instead. This meant that they were not able to access more than Level 1 as their analysis was not accurate. The most common points written by those who did get it right focused on trade deficits and surpluses of countries and the type of goods countries are producing. Most of the answers only carried a two-stage chain of reasoning, and therefore, they were not able to access Level 3 KAA. Those who identified a range of effects without linked development were only able to access Level 1 KAA.

Evaluation included an attempt to discuss the short run versus long run impact. Many were only able to explain one point - the impact of protectionist policies - with the other points often just been identified. Those who listed evaluation points achieved Level 1.

Question 9

This question had asked the candidates to evaluate the possible benefits of specialisation and trade to a developed country of your choice. To access Level 4 for KAA, candidates are required to refer to a developed country of their choice in their answer.

Most were able to identify the benefits of specialisation. The most common points being focused on the law of comparative advantage and economies of scale. Some answers carried a two-stage chain of reasoning without application to key terminology and concepts, and therefore, candidates were not able to access Level 3 KAA. Those who linked it back to economic growth did not attain the higher level marks.

Candidates struggled to evaluate effectively. The most common comments mentioned were on external costs and overexploitation of resources, which some could explain in good depth. Rest of the points were quite generic and not very well developed; they did not achieve more than Level 1.

Question 10

This question asked the candidates to evaluate the disadvantages of a current account deficit. In addition, to access high Level 4 for KAA, candidates are required to refer to a developing country of their choice in their answer.

The most common negative effects mentioned were linked to falling aggregate demand and increasing unemployment due to net leakages from the circular flow of income and the impact on exchange rate. Most answers demonstrated chains of reasoning, but they were not always fully developed or had some stages omitted. These candidates were not able to access more than Level 3 KAA. Those who mentioned causes of a current account deficit did not attain any marks.

Evaluative comments were quite well written. Many offered points on auto correction of the deficit due to a depreciation in the exchange rate and that the deficit may be small as a percentage of GDP. These were, however, not always explained in good depth. Rest of their points were again quite generic and did not have any chains of reasoning and did not achieve more than Level 1.

Paper Summary

The main implications for centres regarding future teaching, learning and examination preparation are:

- Ensure that all parts of the specification are taught and internally assessed. This needs to include addressing all the quantitative skills (as found on page 69 of the specification).
- Candidates must read all questions carefully, and make sure that they have addressed all parts of a question in their response. In a few different questions on this paper, not understanding requirements of the questions, in terms of its depth and breadth, was the main reason for low scores.
- Encourage candidates to draw accurate, appropriate, legible and labelled diagrams to support their arguments, even if not required. This would help add depth to arguments.
- Section B: Ensure that candidates refer to the relevant extracts but do not copy from them. Brief quotations are acceptable but, in themselves, will not achieve higher level marks. Remember that the 4 and 6 mark questions do not require evaluation, so please use the time given effectively and avoid assessing the analysis points made.
- Section B 14 mark question and Section C essays: Encourage candidates to develop a chain of reasoning by analysing two salient points in depth. By contrast, covering a lot of points in a superficial way will limit the mark to a low Level 2 at best. In addition, analysis needs to be contextualised by using relevant source information (Section B), appropriate examples (Sections B and C) or context at the start of Section C questions.

In addition, ensure that candidates are aware that evaluative comments should be linked to the context of the question being asked. These should have a chain of reasoning or sufficient development to be able to achieve at least Level 2. To achieve Level 3 for evaluation in Section C it is necessary to include an informed judgement.

- Candidates are encouraged to have a clear structure to their answers. They must avoid writing essays in bullet points or in long blocks/paragraphs without making a distinction between their analysis and evaluation points.
- Encourage candidates to make full use of the specimen papers, previous examination papers, mark schemes and principal examiner reports.

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