

GCE



Chief Examiner's Report Economics

Summer Series 2017



Foreword

This booklet outlines the performance of candidates in all aspects of CCEA's General Certificate of Education (GCE) in Economics for this series.

CCEA hopes that the Chief Examiner's and/or Principal Moderator's report(s) will be viewed as a helpful and constructive medium to further support teachers and the learning process.

This booklet forms part of the suite of support materials for the specification. Further materials are available from the specification's microsite on our website at www.ccea.org.uk.

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GCE ECONOMICS

Chief Examiners Report

Assessment Unit AS 1 Markets and Market Failure

As the first paper of the new specification and the revised examination format there was some trepidation among the senior examining team with regard to how candidates would perform. It is pleasing therefore to note in this first Chief Examiners report for the revised specification that the question paper was well answered for the most part.

The range of marks awarded would suggest that the paper was successful in allowing candidates of all abilities to respond positively to the questions asked. Indeed there appeared to be fewer really poor scripts and an increase in the number of scripts scoring above 60/80. The mean mark for the paper was in line with previous series in the legacy specification and as a result the grade boundaries were unchanged from summer 2016.

The language used throughout the paper was at a level appropriate for AS students and there was little evidence of candidates experiencing problems in interpreting questions or data.

Most students made an attempt to answer all the required questions and there did not appear to be any significant problems for candidates in completing the paper within the available time. In the few cases where candidates did seem to struggle with timing, the issues appeared to stem from poor examination technique rather than from any particular issue with the paper. Candidates and teachers should note that in Section A – students are only required to answer the question directly and do not need to pad their answers with background information. In some cases candidates who did struggle to complete the paper wasted valuable time by providing accurate though often superfluous information to questions in section A. I will address this point again later.

Section A: SAQ

As the least familiar section of the paper, one might have expected candidates to struggle most with this section. However this was not the case. It was pleasing to note how well prepared most candidates were for the type of question presented in this section with a significant number of candidates achieving scores in excess of 80% of the available marks.

- Q1** Most candidates identified the 2 key characteristics of a public good, though not all candidates were able to apply these concepts to a flood defence system. To gain full marks candidates were expected to explain how a flood defence system could be both non-rival and non-excludable
- Q2 (a)** This question was well answered by the majority of candidates. However, some candidates seemed to interpret the tax burden as referring to the sum of the retail price and the 3 taxes. One of the most surprising aspects of this question is that some of the answers suggested that some candidates did not bring a calculator into the examination. Students are strongly advised to use a calculator when dealing with questions of this nature.
- (b)** While most candidates had some understanding of the term regressive, fewer were able to explain clearly why cigarette taxation could be considered regressive.
- Q3** This question was well answered by the vast majority of candidates. However some candidates failed to appreciate that the statement by the left wing MP contained one sentence which was normative and one which was positive.

- Q4 (a)** This question proved to be a good question in distinguishing between candidates of differing ability. While good candidates explained that the goods were complements due to the negative XED coefficient, many seemed confused by the counter-intuitive nature of the data and hence stated that they were substitutes.
- (b)** While the vast majority of candidates scored full marks in this question, some candidates wasted time and effort defining and explaining the concept of PED before actually making the calculation required in the question. Students should note that if they are asked to calculate a value in Section A, full marks will be awarded for an accurate calculation alone without the need for supplementary information.
- Q5** While this question was well answered by most candidates, surprisingly few received the full 6 marks. This was generally because they did not adequately explain the fact that the free market outcome would lead to situation where price was not equal to the full marginal social cost.

Section B: Data response

As the part of the paper that has changed the least from the previous series, one would have expected candidates to perform relatively better on this section than on the others. Surprisingly this was not the case.

- Q6 (a)** This question was generally well answered with most candidates describing the relationship and using the data effectively to support their conclusions.
- (b)** This was a fairly straightforward question which was well answered by a number of candidates. Too many candidates however simply identified relevant points from the data but made no attempt to provide any independent analysis of these points.
- (c)** Like Question (b), this question produced some excellent answers, but again too many candidates simply identified relevant points from the data but made no attempt to provide any independent analysis. Candidates should note that in questions of this nature examiners are providing information or clues in the data as a starting point for candidates to demonstrate their understanding of economic concepts and their ability to apply the theory they have learned to new and unfamiliar situations. Simply reproducing the information in the text with no additional analysis will gain little credit.
- (d)** This question proved to be an excellent discriminator. The best candidates provided a broad range of points which were well developed in terms of analysis and evaluation. However a significant number did not really understand the concept of a supplementary tax or the original rationale for its use.

Section C: Essay

Performance in this section was generally very pleasing with a significant number of scripts scoring well into the high teens. It was pleasing to note in this section how candidates across the ability range made effective use of the preamble in each question. While weaker candidates can often use the material provided in the data response section as the sole basis of their answer – even the weakest candidates seemed to use the preamble in this section as a prompt to further development, rather than a crutch on which to base their entire answer.

- Q7** The less popular of the 2 essay questions, it was however well answered by the majority of candidates who chose it. Weaker candidates confused the private and public sector and interpreted this question as a debate around a national minimum wage. However the best candidates produced broad and well balanced answers which were full of pleasing levels of economic analysis, evaluation and judgement.

Q8 By far the more popular of the 2 essay questions, this question produced the full range of responses and hence acted as a good discriminator. The best candidates went beyond the obvious equity and merit good arguments when defending the NHS and touched on ideas such as the potential for reduced costs in a nationalised system due to the ability to buy in bulk and the public service ethos that helped to depress the wage demands of even the most highly skilled employees.

However, as is often the case, some candidates were seduced by the proposition presented in the question and felt that they needed to agree with it. Candidates should note that they are not expected to agree with all the statements presented in a question and will not be disadvantaged in any way if they present a well thought out answer which comprehensively challenges the validity of these statements.

Assessment Unit AS 2 Managing The National Economy

The level of response seemed similar overall to that experienced with examinations set on the previous specification, with marks reflecting a full range of performance. Few candidates seemed disadvantaged by the new format, although it is evident that there is room for improvement in technique and focus in tackling the extended written answer section. The language used was appropriate for AS level throughout.

There were a few scripts which suggested that candidates had not been very highly motivated, but the vast majority of candidates who attempted to answer questions recorded marks worthy of an AS grade. There was some evidence that some candidates were finishing the paper hurriedly, and a few did not manage to do so, but, as is always the case, it was likely that some answers which were abandoned had been left to the last because candidates had been unsure how to attempt them.

There also seems to be some correlation between use of paragraphs and the achievement of higher marks. Some of the answers presented particularly in Section B and C were like a stream of consciousness showing little evidence of forethought. A well-presented answer often is a result of careful planning, identification of important issues involved and sequential consideration of those issues. That's not to say that there isn't some wonderful, stimulating Economics full of wry insight within sprawling scrawls of unpunctuated continuous prose, but that is the exception rather than the norm.

Section A SAQ

- Q1 (a)** It will be useful for candidates to consider that, when data is provided, and reference to data specified in the question, a merely theoretical answer will not earn full marks. Examiners were disappointed that more candidates had not pointed out that the negative output gap in this instance was £40 billion.
- (b)** This question was answered well; the most common shortfall, fortunately rare, was a failure to mark a higher price level on the y-axis.
- Q2 (a)** Nearly everyone correctly performed the calculation:
 $(41.8 - [30.8 + 2.0])\text{million} = 9 \text{ million people economically inactive}$
- (b)** However, it was disappointing that hardly anyone worked out 2 million unemployed people as a percentage of the labour force. Most people presented as answer with 2 million as a percentage of the total working age population. Even the calculation $(2 \times 100)/30.8$ was more common than the correct calculation which was $(2 \times 100)/(30.8 + 2.0) \approx 6.1\%$
- Q3** As with Question 1, too many candidates did not use the data in their answer. For the full three marks, as well as pointing out that the real interest rate is the nominal rate after allowance for inflation, candidates were expected to show the rate in this case. The official answer is -2.5%, reached by the calculation $(1.5 - 4)\%$, but examiners were fully prepared to accept an intuitive calculation based on the deflator principle:
 $([101.5 \times 100]/104) - 100 = -2.40\%$
- Q4** Most answers demonstrated understanding that higher values of the Gini coefficient show greater inequality in the distribution of income.
- Q5** Here and in Question 6, it was disappointing how often a macroeconomic diagram was offered when a microeconomic diagram was required, and vice versa. In this case, candidates were expected to draw an exchange rate diagram showing supply of and demand for £ in terms of other currencies (to reinforce the verbal explanation that more foreign investors would want to buy pounds to take advantage of higher interest rates).

Q6 The answer outlined in the mark scheme was not the approach most candidates took, but recognition that the income effects of the fall in price of a significant component of consumption expenditure would cause a move to the right of the AD curve was awarded equal credit. Generally candidates performed quite well, but a good answer required an AS/AD diagram and a degree of analysis in the accompanying brief explanation.

Section B Data Response

- Q7 (a)** Answers to this question were generally satisfactory, but there were some instances of poor technique in the interpretation of data - for example, identifying the lowest point within a particular period of time as the lowest rate of inflation ever experienced.
- (b)** Candidates' performance was generally rather disappointing. While most showed awareness of the consequences of interest rates being low, few investigated why experts were expecting UK rates to remain low.
- (c)** In this question, again, examiners had hoped for a higher level of performance. Sadly, there was much wholesale quotation from the data, and too often a lack of explanation or analysis of the factors identified.
- (d)** There were too many answers which dealt with the theoretical effects of inflation only. The concept of a low rate of inflation as possibly relatively benign was rarely discussed, nor did the potentially toxic effects of deflation seem to be understood by many candidates.

Section C Essay

- Q8** The fact that "productivity" is a new element on the specification may account for the confusion that many showed with the concept of an "output gap", despite the fact that help was available in the introductory sentences. There was however some truly excellent answers and many candidates who didn't fully grasp the essential concept still earned credit through relevant examination of supply-side policies or by evaluating alternative policy objectives.
- Q9** This was the better-answered of the two essay questions, but was only attempted by about 40% of candidates. There was some very competent analysis, and a few excellent scripts, however evaluation and judgement remain the skill areas which are most in need of refinement.

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