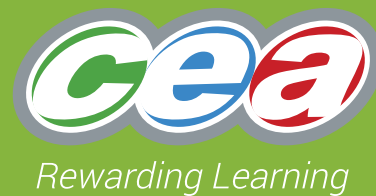


GCE



Chief Examiner's Report Economics

Summer Series 2023



Foreword

This booklet outlines the performance of candidates in all aspects of this specification for the Summer 2023 series.

CCEA hopes that the Chief Examiner's report 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 Examiner's Report

Subject Overview

Summer 2023 saw a return to almost normality in terms of examinations. The only significant difference between summer 2023 and examinations before covid was the provision of advanced information on each unit. It was clear to examiners that the provision of advanced information did have an impact on student responses. While in most cases this impact was positive, it was not universally so. One noticeable issue was the increased prevalence of rehearsed answers, which did not always address the specifics of the actual question asked. Overall, however, the senior examining team were generally pleased with the quality of student responses. As in previous years huge credit must go to the team of economics teachers for preparing candidates so effectively in what are still relatively difficult circumstances.

Assessment Unit AS 1 Markets and Market Failure

Unit overview

This paper seemed to work well, and the answers were generally of the standard expected of AS students. This was reflected in a mean score was 42.5/80 which is almost identical to the mean score for the 2019 series (42.2).

Section A

- Q1** This question was well answered by most candidates. Some candidates did however lose marks by giving examples of normative or positive statements that were not taken from the source material.
- Q2 (a)** This question was not as well answered as would have been expected. Only a minority of candidates realised that the imposition of an indirect tax would reduce the equilibrium quantity from 10 million to 8 million and as a result many candidates calculated tax revenue as £200,000 rather than £160,000.
- (b)** This was probably the most challenging question in this section of the paper and as a result the wide variation in responses was not unexpected. In that sense the question acted as a very good discriminator with candidates scoring right across the range of marks.
- Q3** This question was well answered by most candidates. Some candidates did however lose a mark by failing to identify that QD would increase.
- Q4** This is a straightforward concept, and as a result this question was well answered by most students.
- Q5** This question was probably much more straightforward than the last short answer question on previous papers and as a result it was well answered by most candidates. Some candidates did however lose marks because they did not make the link between luxury goods or electric cars and rare earth metals.

Section B

- Q6** (a) Although candidates are getting better at answering this type of question a significant number still fail to manipulate the data to make comparisons in relative terms. Failure to do so cost them an opportunity to achieve relatively easy marks.
- (b) This question proved to be a very good discriminator. The best candidates were able to use the data provided in the source to explain why rising incomes would lead to an increase in passenger numbers. Weaker responses just alluded to air travel as a luxury good but made no reference to the data.
- (c) Most candidates produced accurate diagrams and were able to explain how the negative externalities associated with air travel resulted in the free market supplying more flights than the socially optimal level.
- (d) This question produced a range of answers and as such was a good discriminator. Weaker answers tended to be one sided with little evaluation or judgement or lacked focus on the airline industry.

Section C

- Q7** Perhaps unsurprisingly, this question was the most popular of the two essay questions. That said it was not universally well answered. One major flaw in many answers was candidates almost ignoring the question and instead giving an evaluation of the alternative policies a government could use to reduce alcohol consumption. Candidates should be aware that if a question asks about a particular policy, then they are expected to focus on the advantages and disadvantages of that policy. While reference to alternative policies may be one way of demonstrating evaluation, writing pages and pages on alternative policies with very little reference to the policy in question will leave their answer in the level 1 range.
- Q8** This was the least popular of the two essay questions but was generally well answered. Most candidates were well versed in why consumers may not act in a rational fashion and indeed many gave excellent examples to illustrate their arguments. However, candidates seemed less well versed on the assumption of rationality.

Assessment Unit AS 2

Managing the National Economy

Unit overview

As this unit was the option for omission last year, this was the first time many centres had entered students for external examination in SEC21 since 2019. It was therefore pleasing to see the generally high standard of many entries and the mean mark was slightly up on 2019. Section A achieved some good responses though some candidates were at a disadvantage as they lacked the ability to give clear, concise definitions of key concepts. Section B produced good responses though Part (d) caused problems for some candidates who struggled with an unfamiliar angle of questioning. There was a reasonably even split between the 2 essays in Section C. Candidates should be aware that in the Part (d) question of Section B and the Section C question candidates will not achieve higher marks unless they engage in clear evaluation.

Section A

- Q1 (a)** This was one of the questions where lack of a clear grasp of definitions cost candidate's marks. Despite a similar question being asked in 2019, few candidates were able to explain the meaning of Gross in GDP. CA surprisingly large minority could not clearly explain the domestic element.
- (b)** This was very well answered by those candidates who could define a recession. A significant number could not and therefore struggled to provide a sensible answer.
- Q2** This was generally well done, though many candidates failed to achieve full marks by not using data.
- Q3 (a)** This was poorly done as many candidates struggled to give a clear definition of inflation. While this may reflect inflation not being included on the advanced information, it was nonetheless very disappointing as candidates were expected to have thoroughly covered the whole specification.
- (b)** Many candidates answered this with ease. However, a significant number simply subtracted the index for January 2010 from the index for January 2011 without realising the need to further calculate percentage change. Working with index numbers should be a basic skill for A-Level economists.
- Q4** This was the lowest scoring question in Section A. Despite the importance of productivity as an economic indicator, and the frequency with which the topic has appeared on past papers, many candidates still appeared to have little idea what is meant by productivity. Even when they had some understanding, they struggled with how it should be measured.
- Q5 (a)** This was generally well done, though some candidates inverted the formula.
- (b)** This was generally well done with many candidates producing clearly labelled AD/AS diagrams. A minority misinterpreted the question drawing a diagram for demand and supply on the foreign exchange markets.

Section B

- Q6 (a)** This question was very poorly done. The vast majority of candidates failed to use appropriate data manipulation and rather gave a purely narrative description of what happened to Real GDP. Following on from the comment on Part 3 (b) it appears many candidates were also innocent of the concept of index numbers.
- (b)** There were some very good answers to this question with developed explanations as to why Aggregate Demand was unlikely to increase. However, there were other candidates who simply repeated the data verbatim.
- (c)** There were many excellent responses to this question, with both accurate diagrams using the long run aggregate supply curve (both Keynesian and Neo-classical versions were used) and detailed analysis of expansionary monetary and fiscal policy. It was particularly pleasing to see that, as with Part 5 (b), many candidates had a clear grasp of AD/AS theory and were able to deploy it in analysing economic issues. A lot of these answers were able to obtain full marks. Unfortunately, other answers lacked the necessary development of transmission mechanisms to be awarded within the Level 3 mark band.

- (d) There were a wide range of responses to this question. The best looked at how such an objective might impact on other objectives, for example, the idea that a minimum wage might cause unemployment or the disincentive effect of higher taxes. Other candidates appeared to have limited ideas and restricted themselves to a general discussion of policies with limited or no evaluation.

Section C

- Q7** There were some very high-quality answers with the best looking at the impact of a range of supply side policies on both the environment and workers. These showed good skills in engaging with the premise of the question. Many candidates framed their answers in terms of the distinction between free market policies and interventionist policies and this often proved a very fruitful approach. The best candidates were also able to display high levels of evaluation. For example, noting that free market-based approaches could disadvantage workers due to deregulated labour markets but could benefit them through tax cuts. In a similar vein, interventionist policies could damage the environment through motorway construction but investment in renewable energy might benefit it. Weaker answers could see no positive benefit to workers from supply side policies and often ignored their environmental impact.
- Q8** This was probably the less well answered essay overall, although there were some excellent responses. Given this topic has been the subject of questions in the past, and the topical nature of economic inactivity in the media, it is disappointing that several candidates were unable to accurately explain economic inactivity, outline its causes or provide a critique of whether it should be of greater concern than unemployment. It is worth noting the four main causes of economic inactivity, as these do not seem to be universally understood. These are students in full-time education, full-time “carers”, those unable to work for medical reasons or disability and those who have taken early retirement. There was a general assumption amongst some candidates that economy inactivity was universally bad for the sole reason that all those inactive were claiming benefits. Costs in terms of labour shortages or lost output were less well understood. The better answers recognised that reducing some types of inactivity might be damaging to the economy (fewer students) and it might be easier to reduce unemployment as the unemployed were actually seeking work.

Assessment Unit A2 1 Business Economics

Unit overview

There was a wide range of responses on the paper with some excellent candidates able to fully meet the range of assessment objectives through judicious use of appropriate economic concepts. Unfortunately, other candidates lacked a full understanding of those concepts, or more frequently, failed to apply the appropriate concept to the context of the question. In general terms Section A was well answered with most candidates scoring highly. Section B posed more problems with candidates failing to use the data provided or frame their answers in the context of the case study. Section C was well answered with a good split between the number of candidates choosing Question 6 or Question 7. The mean mark in this paper was very much in line with previous years. This unit lends itself to the use of diagrams in candidate responses and many candidates were able to enhance the quality of their answer with appropriate use of clearly labelled diagrams. However, a sizeable minority of candidates produced diagrams which were so poorly constructed that they added very little to their answers.

Section A

- Q1** All 3 parts of this question were well answered by the vast majority of candidates.
- Q2** This was a straightforward question and as such it was well answered by most candidates.
- Q3** (a) This should have been a straightforward question however a surprisingly large number of candidates were unable to correctly calculate the size of the folding bike market from the information given.
- (b) While most candidates were able to identify that prices must have risen, very few referred to the magnitude of the change.
- Q4** This question was generally well answered, with most candidates using diagrams to support their analysis.

Section B

- Q5** (a) While this question was quite well answered a significant number of candidates did not seem to understand the concept of index numbers. Quite a few candidates stated that all 5 of the FAANGs and the S&P index all stated with a share price of \$100!
- (b) There was a wide variation in the quality of answers to this question. A surprisingly large number of candidates gave only 1 or 2 reasons why companies such as the FAANGs would seek to grow through acquisition and merger. Alternatively, some candidates provided a long list of reasons but with little analysis or application to the case study.
- (c) While candidates were well versed on the concept of price discrimination, fewer were able to examine the likely impact personalised pricing on consumers and producers.
- (d) While there were some excellent responses to this question, too many candidates decided to ignore the policy of breaking up companies and instead gave a detailed discussion of the full range of alternative policies available to the competition authorities. Candidates should be aware that if a particular policy is identified in a question, then the greatest part of their answer should focus on that policy. Ignoring the policy in question and simply referring to alternative policies will gain little favour with examiners.

Section C

- Q6** This was marginally the less popular of the two essays. Most candidates had a reasonable understanding of contestable markets theory. However, too many attempted to compare the outcome under contestable markets to the outcomes under the alternative market structures rather than compare the realism of the assumptions upon which the models are based.
- Q7** This was a slightly more popular option. Candidates showed an excellent understanding of the different measures of efficiency, however fewer were able to apply these concepts to concentrated or competitive markets. While most attempted to illustrate their points with diagrams, too often these diagrams were carelessly drawn or simply wrong.

Assessment Unit A2 2 Managing the Economy in a Global World

As this unit was omitted last year, this was the first year since 2019 that most centres submitted candidates for external assessment. Though the standard of many entries was high, the mean fell when compared to 2019, partly due to a small number of candidates who significantly underperformed.

Performance in Section A was also a problem as some candidates struggled with understanding basic concepts and carrying out standard mathematical calculations. As a result, some failed to score any marks. As pointed out in Appendix 1 of the specification, assessment of quantitative skills will comprise at least 20% of A Level marks and a significant amount of this assessment will be in Section A.

Section B was much better with candidates making good use of the data to support their points. The essays were solid though with fewer outstanding essays than in previous years. Neither essay was significantly more popular than the other.

Section A

- Q1 (a)** This was well done by many candidates and hardly any lost marks for failing to be clear that the answer was expressed in pounds billions. There were, however, a significant minority who seemed to think the current balance was simply the sum of the balances for trade in goods and services.
- (b)** This was less well done with many candidates unaware that the Balance of Payments must always sum to zero. Candidates need to have a clear understanding of the different components of the Balance of Payments.
- Q2** This was disappointing. Many candidates were unable to calculate the budget deficit in each year or realise national debt would increase by the cumulative total of the deficit for the years 2019 to 2021.
- Q3** This was not well done. Only a minority of candidates were able to calculate price elasticity of demand, realise it was inelastic and understand this meant export earnings would fall. A significant number on seeing mention of elasticity in the context of a depreciation proceeded to write all they knew about the Marshall Lerner condition.
- Q4 (a)** Responses to this question were mixed. Many candidates had clearly covered the concept and could easily calculate the percentage change. In other cases, candidates seemed completely unaware as to what they had to do. This is a basic numerical concept and is covered in the Fact File on Index Numbers.
- (b)** Some candidates seemed unaware of how a depreciation could cause inflation. The better answers were able to recognise it contributed to both cost push and demand-pull inflation, as well as having a direct impact on prices.

Section B

- Q5 (a)** This was generally well done as candidates used the data, manipulated it, or made meaningful comparisons of trends.
- (b)** Some candidates simply talked about containerisation. Others discussed the negative impacts of large corporations whilst leaving the actual question unanswered. However, most candidates were able to mine the relevant information from the data and develop it, explaining in detail why large corporations would invest in other countries.

- (c) There was a mixture of responses. Many candidates used the tariff diagram and frequently made good reference to it discussing the impact of a tariff reduction on price, output and imports, consumer and producer surplus and government revenue. In the best answers this was developed to look at implications of less government revenue or a fall in domestic output. Some other candidates scored highly by looking at the impact tariff reduction might have on infant industries, structural unemployment and what happened if there was no reciprocity from trading partners. Weaker answers simply drew the diagram and made limited reference to it. In some cases the diagram was drawn and discussed as the imposition of a tariff with no reference made to the context of the question. Centres should also note that a significant number of candidates were unable to correctly identify the area of consumer surplus on the diagram.
- (d) This question saw the appearance of some rote learned answers on the trade v aid debate. In some cases, candidates argued vociferously that globalisation was not the way to development and countries would be better pursuing trade! Better answers were able to adapt their approach and take on board other features of globalisation such as FDI or technology transfer whilst making the case that aid might be needed to take advantage of the opportunities presented. The best answers were able to engage with what was meant by development and point out that globalisation could both help development but also hinder it.

Section C

- Q6** There were many very solid answers to this question but, surprisingly given the advance information, few outstanding ones. Candidates were well versed in the issues of reserves and the advantages fixed exchange rates provided for both international trade and foreign direct investment. Some candidates have evidently been aware when such things as imposed disciplines on domestic producers or constraints on domestic policy makers have been discussed, but when it comes to trying to explain those issues to an examiner, discover that they can not. Similarly, the need for regulation of speculators in a system of fixed rates was little mentioned.
- Q7** This question had a wider range of answers with some very impressive responses easily obtaining Level 4 whilst others had no idea what the question meant. The best answers showed a good understanding of both fiscal and monetary policy. Quantitative easing was understood, though not always well explained, and it was good to see reference to more esoteric policies such as helicopter money and negative interest rates. The liquidity trap made frequent, often relevant, appearances. There were some good explanations of expansionary fiscal policy and linkages to Keynesian theory. There were some answers which made good use of crowding out (and even developed with reference to crowding in) but these were less common than expected.

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