

ECONOMICS

Paper 9708/11
AS Level Multiple Choice

Question Number	Key	Question Number	Key	Question Number	Key
1	C	11	D	21	D
2	D	12	D	22	B
3	A	13	C	23	D
4	B	14	C	24	B
5	C	15	C	25	B
6	C	16	D	26	C
7	D	17	B	27	D
8	B	18	B	28	D
9	B	19	C	29	A
10	B	20	B	30	D

General comments

Most candidates answered between 14 and 23 questions correctly. **Question 2** and **13** were the only questions answered successfully by more than three-quarters of the candidates. However, **Questions 7, 12** and **26** were the only ones answered correctly by fewer than a third of the candidates. Candidates performed significantly less well in the macroeconomic questions.

Comments on specific questions

Question 7 was answered correctly by 31 per cent of the candidates. The question required candidates to calculate the supply of each firm at two prices. Most better performing candidates were able to identify option **D** as the correct answer, as this firm's supply will be 20 at each price, so it will have a vertical supply curve. Most low performing candidates selected option **A** or option **B**. In the case of option **A**, although the market share remains constant this will mean that supply will increase from 5 to 10 units as the price increases. For option **B**, supply will increase from 10 to 50 units. In both cases, this leads to a normal upward-sloping supply curve.

Question 12 shows the continued misunderstanding by candidates when identifying the nature of a good. Just because a good is provided free of charge does not make it a 'free good' (a good with no opportunity cost). Just because it is provided by the government does not make it a 'public good' (a non-excludable and non-rival good). However, option **A** (a free good) and option **B** (a public good) were the most popular answers chosen, especially by lower performing candidates. Option **C** was not popular, as most candidates recognised that food was vital for survival so could not be a demerit good. This left option **D** as the correct answer, although only chosen by a quarter of the candidates.

Question 16 required candidates to identify why NNI would be less than GNI. Option **D** was the correct answer, as the standard difference between the two terms is net depreciation (the difference between gross and net data). It was surprising that only 37 per cent of the candidates chose this option. Options **A** and **B** were popular answers, chosen by 30 per cent and 22 per cent of the candidates respectively. However, option **A** is incorrect as income from overseas affects the difference between national and domestic income, not gross and net. Option **B** is also incorrect, as inflation is the difference between nominal and real data.

Question 26 required candidates to identify when gains from specialisation and free trade would be the smallest. This was the least well answered question and may have been due to candidates not reading the question carefully enough, although the word 'smallest' was emboldened. Specialisation requires high mobility of factors within a country. Therefore, low factor mobility between goods would not facilitate specialisation. This rules out options **A** and **B**, although these two options were chosen by over a third of the candidates. Option **D** was the most popular. However, low mobility of factors between the two countries would encourage trade, as each country would have little option than trading to gain the goods it cannot produce. This leaves option **C** as the correct answer.



4Uadmission

ECONOMICS

Paper 9708/12
AS Level Multiple Choice

Question Number	Key	Question Number	Key	Question Number	Key
1	C	11	B	21	D
2	D	12	B	22	D
3	D	13	D	23	D
4	D	14	D	24	A
5	B	15	B	25	B
6	C	16	C	26	B
7	D	17	C	27	B
8	B	18	C	28	C
9	C	19	D	29	B
10	B	20	C	30	D

General comments

Due to a series-specific issue, we have not included candidate answers for three questions in their total mark. Instead, we have multiplied each candidate's total mark by a weighting factor so that the maximum mark for the question paper remains unchanged.

Most candidates answered between 16 and 24 questions correctly. **Question 1, 2, 10 and 13** were answered successfully by more than 80 per cent of the candidates. However, **Question 14 and 20** were the only ones answered correctly by fewer than a third of the candidates. Candidates performed significantly less well in the macroeconomic questions.

Comments on specific questions

Question 14 was about how a government may intervene in a market to manipulate the equilibrium price. Option **D** was the correct answer and chosen by a third of the candidates. The government needs to shift the demand curve to the right to intersect at the preferred price of \$10. This will require the government to purchase 400 units of the product at a price of \$10, giving the answer of \$4000. Option **C** was equally popular, although it is unclear why this was so. Option **A** was chosen by about one in five candidates. This may have come from multiplying the difference in the price by the difference in the quantity, although this has no basis in economic theory.

Question 20 was about macroeconomic objectives. Option **B** was the most popular answer, with more than 40 per cent of candidates selecting it. However, an increase in output will not necessarily mean that more workers are employed. This increased output may come about from higher levels of productivity or increased use of capital. Option **A** was less popular, although still chosen by one in five candidates. However, evidence

shows that economic growth is much more likely to lead to a less even distribution of income. Option **D** was also incorrect, as stable inflation only requires the rate of inflation to be close to constant, at whatever rate. The correct answer was option **C**, although only chosen by 31 per cent of the candidates. Any choice about a government's macroeconomic objectives is ultimately one based on that government's preferences or priorities, so is a value judgement or normative decision.

Question 25 asked candidates to identify the policy having the least impact on the import of textiles. Although answered correctly by more than 40 per cent of candidates, a greater number of candidates chose option **D**. Options **A** and **C**, a ban and a tariff on imports, were not popular answers as both would clearly have a greater impact on imports than domestic output. The choice between options **B** and **D** comes down to the policy which will have a similar impact on domestic output and imports. Option **B**, a sales tax on all textiles, is the correct answer as it will have the least relative impact on imports. In contrast, option **D**, a minimum quality standard, may well have a greater impact on imports, especially from countries with lower quality standards.



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Paper 9708/13
AS Level Multiple Choice

Question Number	Key	Question Number	Key	Question Number	Key
1	A	11	B	21	D
2	D	12	A	22	D
3	C	13	B	23	B
4	A	14	D	24	D
5	C	15	A	25	B
6	D	16	A	26	B
7	C	17	C	27	A
8	A	18	C	28	D
9	C	19	C	29	B
10	C	20	C	30	C

General comments

Overall performance was reasonable, with most of the candidates correctly answering more than 18 of the questions. There were some very good candidates, with one in five answering at least 25 of the questions correctly.

Questions 4, 6, 9 and 23 were answered successfully by more than 80 per cent of the candidates. **Question 8** was the only question answered correctly by less than 20 per cent of the candidates. Candidates performed similarly in the microeconomic and macroeconomic questions.

Comments on specific questions

Question 8 was the only question on which candidates did not generally perform well. The firm, to utilise its full capacity, must increase demand by 2000 units, an increase of 25% from its current level of demand. If the price elasticity of demand is unitary, this will require a fall in price of also 25%. Therefore, the firm must reduce the price from \$12 to \$9, so the answer is option **A**. However, option **B** was chosen by many candidates. This is a fall in price of only 20%. This suggests that these candidates worked out the required percentage change in demand incorrectly, using the capacity figure as the denominator, rather than the current level of demand.

Question 14 was answered correctly by just over a third of the candidates. However, two other options proved to be very popular. This suggests a lack of understanding about the basic relationship between the shape of a supply curve and its price elasticity of supply. Any straight-line supply curve which starts at the origin will always have a unitary elasticity of supply. The imposition of an indirect tax will shift a supply curve to the left, so the one in the diagram will now start on the vertical axis, which is typical of a price elastic

supply curve. The correct answer is therefore option **D**. The fact that three of the four options (excluding option **A**) were popular, suggests an element of random selection by many candidates.

Question 24 was about the best combination of policies required to correct a current account deficit. Although answered correctly (option **D**) by nearly 40 per cent of candidates, many candidates chose option **B**. To find the correct answer, a combination of policies is required which will reduce import spending and/or increase export spending. In option **B**, although a currency depreciation (the key policy option) will help by making imports more expensive and exports less expensive, the lower rates of interest and income tax will help to increase household disposable income, partly counteracting more expensive imports. On the other hand, the policies in option **D**, as well as depreciating the exchange rate will reduce household disposable income by increasing income tax and keeping interest rates unchanged. In questions asking for the most or least likely option, it is vital that candidates read through all the options, rather than stopping when they arrive on one which may be possible, but not necessarily the most or least likely to work.



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Paper 9708/21
AS Level Data Response and Essays

Key messages

- Candidates need to ensure they focus on the particular ‘command’ or ‘directive’ word that is being used in a question, such as ‘**assess**’, ‘**calculate**’, ‘**consider**’, ‘**explain**’ or ‘**identify**’ something.
- It is important candidates understand that in some questions, a certain number of marks can be awarded for ‘**evaluation**’. These were **Questions 1(c), 1(d), 1(e)** and all questions in **Sections B and C**. There is often a clue in the question to guide candidates towards this, such as in **Question 1(c)** which required candidates to consider the extent to which depreciation of the Sri Lankan rupee could improve the country’s balance of trade in goods and services, or in **Question 3(a)** which required candidates to explain, with the help of a formula, what is meant by the income elasticity of demand for a product and consider the extent to which demand for the product will always rise at the same rate as the income of its consumers, or in **Question 5(b)** which required candidates to assess which expansionary macroeconomic policy would be most likely to enable a government to meet its economic objective of a low rate of unemployment.
- Candidates need to understand that an appropriate formula should be included in answers when they are explicitly asked for in a question, such as the formula for income elasticity of demand in **Question 3(a)**.
- Candidates need to ensure that diagrams are correctly drawn and clearly labelled. There were, unfortunately, a number of examples of poor labelling and, in some cases, no labelling at all. There were a number of questions where diagrams could have been used to good effect to support an answer, such as **Question 4(a)**.
- It is important that candidates read the questions very carefully to avoid making an error in their answer. For example, in **Question 1 (a)**, some candidates described what happened in all of the months shown in Table 1.1 rather than identifying the overall trend in Sri Lanka’s balance of trade in goods and services between January 2022 and January 2023, while in **Question 2 (a)**, some candidates wrote about demerit goods despite the fact that there was no reference to demerit goods in the question.

General comments

It was obvious in some answers that candidates had not looked closely at the ‘command’ or ‘directive’ word being used in the question. It is important that candidates do recognise whether they are being asked to ‘**assess**’, ‘**calculate**’, ‘**consider**’, ‘**explain**’ or ‘**identify**’ something.

It is also important that candidates focus on whether there is any additional guidance provided in a particular question, such as in **Question 2 (b)**, where candidates were required to assess whether a planned economic system should **always** switch to a mixed economy.

Comments on specific questions

Section A

Question 1

- (a) (i) Many candidates were able to correctly identify the overall trend in Sri Lanka’s balance of trade in goods and services between January 2022 and January 2023, recognising that the trade deficit had declined, but some candidates wrote about what was happening in each of the months shown in Table 1.1 rather than the overall trend over the whole period.

- (ii) Most candidates were able to calculate the percentage change in Sri Lanka's balance of trade in goods and services between January 2022 and January 2023 as 52 per cent.
- (b) Many candidates were able to explain what was meant by 'Sri Lanka has enjoyed a comparative advantage in growing and exporting tea', stressing that this meant that Sri Lanka could grow and export tea at a lower opportunity cost than another country.
- (c) Many candidates were able to write about the possible link between a depreciation of the Sri Lankan rupee and an improvement in the country's balance of trade in goods and services, in terms of making the price of exports relatively cheaper and the price of imports relatively dearer. Very few of them made any attempt to offer any evaluation despite the fact that the question explicitly asked them to consider the **extent** to which depreciation of the rupee could improve the country's balance of trade.
- (d) The majority of candidates were able to offer an explanation and analysis of the possible link between the removal of protectionism and the likely effect on the balance of trade deficit, but relatively few then went on to offer a meaningful evaluation of how likely the removal of all protectionism would reduce the balance of trade deficit. It is important that candidates realise when they are required to offer some evaluation; this is why a careful reading of the question is so important.
- (e) A number of candidates made quite a good attempt to assess the possible supply-side policies that could have been taken to 'lead Sri Lanka back into economic growth', such as in relation to education and training, but unfortunately, as in the previous question, many candidates did not attempt to offer any evaluation of the different policies despite the fact that the command word used in the question was 'assess'.

Section B

Question 2

- (a) In this part of the question, candidates were required to explain, with the use of examples, the difference between public goods and merit goods and to consider whether markets would always provide enough of both goods. Most candidates were able to demonstrate a good knowledge and understanding of the characteristics of both public goods and merit goods, although some of the examples given were incorrect. The analysis and evaluation, however, was somewhat limited in relation to market provision.
- (b) In the second part of the question, candidates were required to assess whether a planned economic system should always switch to a mixed economy. Candidates were generally able to analyse the potential advantages and disadvantages of the two types of economic system but did not always offer a convincing evaluation in relation to the switch. It needs to be remembered that although eight marks are allocated to 'knowledge and understanding' (AO1) and 'analysis' (AO2) in the **part (b)** questions, four marks are allocated to 'evaluation' (AO3).

Question 3

- (a) In this part of the question, candidates were required to explain, with the help of a formula, what is meant by the income elasticity of demand for a product and to consider the extent to which demand for the product will always rise at the same rate as the income of its consumers. Most candidates were able to provide the appropriate formula, although many of them left out the percentage change. Many candidates were able to analysis how the outcome would depend on whether the product was a normal good or an inferior good. Unfortunately, some candidates were confused about when there would be a positive coefficient and when there would be a negative coefficient. Relatively few candidates made any attempt to offer a considered evaluation of the possible outcomes; this shows the importance of candidates reading the question as carefully as possible.
- (b) In the second part of the question, candidates were required to assess the extent to which price elasticity of supply or cross elasticity of demand was more useful to a business. Most candidates were able to provide an assessment of the usefulness of the two elasticities, but as in **Question 2 (b)**, little evaluation was provided by the majority of candidates in terms of offering a valid comparison of the two, despite the fact that four of the twelve marks available were for evaluation.

Section C

Question 4

- (a) In this part of the question, candidates were required to explain three of the components of aggregate demand and to consider the extent to which they may be increased without leading to inflation. Most candidates were able to demonstrate a good knowledge and understanding of three of the components, but the analysis of the link with inflation was often rather limited.
- (b) In the second part of the question, candidates were required to assess the extent to which it would be possible for the Chinese government to achieve its objective by fiscal policy alone. Most candidates were able to offer a reasonable analysis of using fiscal policy to achieve the objective, but there was a more limited analysis of possible alternative policies, such as monetary policies or supply-side policies. Unfortunately, relatively few candidates made an attempt to offer any evaluation of which policy approach was likely to be more successful in achieving the objective of the Chinese government, despite the fact that although eight marks are allocated to 'knowledge and understanding' (AO1) and 'analysis' (AO2) in the **part (b)** questions, four marks are allocated to 'evaluation' (AO3).

Question 5

- (a) In this part of the question, candidates were required to explain three causes of unemployment and to consider which cause was likely to be the most damaging to a high-income country. Most candidates demonstrated a sound knowledge and understanding of three possible causes of unemployment, but the analysis of the link to a high-income country was, in most cases, rather limited. Relatively few candidates were able to offer any meaningful evaluation.
- (b) In the second part of the question, candidates were required to assess which expansionary macroeconomic policy would be most likely to enable a government to meet its economic objective of a low rate of unemployment. A number of candidates did refer to different possible macroeconomic policies, but some of them only referred to one. This made it very difficult for such candidates to offer any meaningful evaluation as to which policy would be most likely to achieve the objective of a low rate of unemployment.

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Paper 9708/22
AS Level Data Response and Essays

Key messages

- For **Question 1**, data response, one important change within the new syllabus is that 4– and 6-mark questions will contain a requirement for explained analysis and evaluation. Similarly, knowledge and understanding marks will only be awarded if they are relevant to the question and, where possible, within the context of the data itself.
- **Part (a)** of essay questions is now split on a 3, 3 2 basis. AO1 gains up to 3 marks, AO2 up to 3 marks and AO3 up to 2 marks. Candidates need to organise their answers based on this split and must be encouraged to apply all knowledge and understanding to the question that is set. Furthermore, all analysis should be relevant and fully explained to gain credit. Answers that simply state facts without any explanation are very unlikely to gain credit. Finally, evaluation must compare and contrast the preceding analysis and make a judgement to answer the question to be awarded marks.
- Whilst the use of accurate graphs, formulae and concepts is strongly encouraged and is indeed a very important part of answering most questions, it is important to note that without further explanation and analysis, such a focus alone will only be credited as AO1. Analysis is underpinned by such knowledge and understanding but to move into AO2 and AO3, it requires further elaboration and explanation/application.
- In **part (b)** of essay questions, answers which examine one side of the question only will be highly unlikely to gain more than mid-Level 2 analysis and will not be awarded evaluation marks as they are unlikely to fully answer the question.
- Candidates therefore need to be fully prepared by centres to follow this approach to maximise their marks.
- Centres are further reminded that questions may be drawn from any part of the syllabus and therefore full coverage (including all new areas) of the syllabus is essential.

General comments

- Overall, a full range of marks was in evidence and there was a pleasing number of high marks within the whole cohort.
- Equally, there was a significant minority of candidates who were clearly underprepared for the examination and achieved very low marks despite, in some circumstances, writing a great deal.
- Rubric errors were pleasingly rare, and most candidates answered the correct number of questions from the correct sections of the paper.
- For most candidates, time did not appear to be a problem and most appeared to finish with enough time. However, there is still a tendency to spend too much time on the 2-mark questions and also on detailed discussions within essays of information that is not relevant to the question.
- Although most scripts were legible, there was still a significant minority where handwriting was indistinct. Every candidate will want their hard work to be accredited but need to take more care in certain instances, to ensure that it can be clearly read by Examiners.

Comments on specific questions

Section A

Question 1

- (a) The question asked candidates to compare what had happened to consumer prices between March 2021 and February 2022. At its simplest level they had risen or increased over the period, and we also accepted references to CPI and inflation without any direct reference to consumer

prices. This was satisfactory for 1 mark. Further elaboration for the second mark could be via a correct calculation of e.g., the per cent increase i.e., 4.89 per cent, or a reference to the only month where prices fell, i.e., July 2021. However, a simple reference to the index values and/or the difference between them was treated as simple copying of data without a use made of it and was not credited. Likewise, some candidates attempted to explain the changes which was irrelevant and wasted valuable time. Also detailed descriptions of changes along the time frame were irrelevant as the question asked for a description of the changes between the two dates. However, most candidates earned at least 1 mark, and many earned 2 although there was often a great deal of unnecessary writing.

- (b) This question highlighted the need to produce accurate diagrams. Whereas many candidates were able to recognise the existence of cost-push inflation for the first mark, the lack of an accurate diagram prevented them from scoring the second mark. Again, candidates are encouraged to act upon the directive words of the question – many candidates lost time by writing at length why cost-push inflation was present when the question required nothing more than an identification. An additional problem was a misidentification of the type of inflation, usually identified as demand-pull (although there were references to creeping, hyper and supply-side inflation) and diagrams showing a shift in the AD curve. Likewise answers that showed both demand-pull and cost-push inflation received zero marks as the question asked for an identification of the **main** cause which was cost-push and not both types.
- (c) The current main cause of inflation in the Eurozone has been identified in the extract as being supply driven/cost push. Although, in the future, the problems of a shortage of labour may lead to shortages of output/additional demand pressure, these issues were not considered relevant to the present problems. Whilst many candidates were able to establish the link between a shortage of labour fueling cost-push inflation via an increase in wage rates, a surprising number did in fact associate a shortage of labour with reduced output and instead discussed demand-pull inflation. Moreover, although a pleasing number of candidates recognised the relevance of energy costs, disappointingly few offered any relevant evaluation as to which was the most dominant factor. The modal mark was 2 for a correct reference to an increase in wage costs leading to an increase in the costs of production. Those who referenced the increase in energy costs gained a third mark. However, as aforementioned, very few candidates attempted any judgement as to the extent to which either cause may have contributed the most and this limited the possible overall mark to 3.
- (d) This question asked candidates to assess the relative impact of rising prices on poorer families. This meant it had to consider two perspectives and the two that were expected was firstly a comparison with better off households and alternatively a situation where government assistance was available. However, it appeared to be challenging for a significant number of candidates who offered an accurate definition of PED but went on to make a series of assertions rather than explain the comments they made. For example, it was common to see candidates assert that food and energy were necessities and, as such, must be price inelastic in demand. Unfortunately, they often missed the opportunity to develop this point and explain that rising prices of either food or energy would result in a proportionately smaller reduction in quantity demanded leading to a higher proportion of income needing to be spent on these items. Similarly, whilst candidates recognised that rising food and energy prices would be more significant to those on poorer/fixed income households they did not refer to the problem of these groups being unable to increase their incomes in line with the price rises. Nonetheless, some of the best responses did address this point and offered strong evaluative commentary by comparing the significance of rising food and energy prices to higher income households and also the possibility for governments to consider forms of intervention/support.
- (e) A pleasing number of candidates established the link between rising interest rates and the cost of borrowing/reward for saving before going on to provide a detailed assessment of the likely impact on both consumption and investment as part of the transmission mechanism by which rising inflation might be controlled. Similarly, it was not uncommon to see candidates establish the link between rising interest rates, appreciating the currency and thereby reducing the costs of production for those firms that imported raw materials. Many candidates were also equally confident at providing strong disadvantages with many referring to the potential consequences for economic growth, unemployment and government finances. However, a balanced evaluation was uncommon and only the best answers considered both sides of the discussion and referred to both the relevance of the time dimension in terms of rising unemployment and the general appropriateness in using interest rates to control cost-push inflation. Consequently, 3/4 tended to be the modal mark.

Section B

Question 2

- (a) Possibly because this is a relatively new addition to the syllabus, this question was attempted by few candidates. However, marks were generally good for those who did. Most candidates were able to provide a good definition and understood the values of 0 and 1 and gained 2 AO1 marks. However, a clear understanding of the meaning of values between the two extremes was not always made for the third mark. Analysis of two reasons was often attempted and applied to low-income countries and some valid evaluation of their relative importance was made. However, weaker candidates either ignored the significance for low-income countries or offered no evaluation at all which depressed overall marks in some cases. Hopefully, if similar questions are asked in future, more candidates will have the confidence to attempt it.
- (b) A high proportion of strong responses were evident for this element of the question with candidates providing a range of appropriate policies. Most candidates were able to provide good analysis of both the strengths and weaknesses of the policies identified although this was not always clearly related to their role in redistributing income and wealth. Consequently, these were restricted to Level 2. However, whilst analysis of the advantages and disadvantages of each policy was often good, evaluation of the relative success of such policies e.g., which might be best, whether they might be successful at all in redistribution was often lacking and replaced with assertions or simple summaries of what had been previously discussed. Clearly, this is a skill needing further development.

Question 3

- (a) The analysis in this question was not concerned with a comparison of the use of a subsidy with a different policy or whether a subsidy was the best policy so therefore assessments of alternative policies were irrelevant. All that was needed was an assessment, in isolation, of the effectiveness of using a subsidy to increase the consumption of a merit good. This question was significantly the most popular in **section B**. Information failure was frequently correctly identified as the reason for under and over consumption of merit and demerit goods respectively although references to a lack of awareness or worse/better than is realised were equally accepted. Although most candidates were able to provide an appropriate example of each, some were imprecise and simply offered e.g., 'food' or a similarly generic example as a merit good – demerit goods by contrast were often more precise. Similarly, a pleasing number of candidates accurately explained how a subsidy would encourage consumption via reduced costs of production resulting in reduced prices. Moreover, strong analysis of how the success of the subsidy would depend on the extent to which demand was price elastic or inelastic was evident, as was the fact that a subsidy was unlikely to overcome the issue of information failure. However, some candidates were unable to gain more than 4 marks as they explained how subsidies might work but then focused solely on alternative methods of increasing consumption rather than explaining why subsidies would not be effective which was the question. This meant evaluation was often irrelevant as it was not answering the question.
- (b) This question enabled candidates to demonstrate a good understanding of not only the use of minimum prices to reduce the consumption of demerit goods, but of other potential alternatives. Although most candidates were able to explain that a minimum price set above the free-market level would result in a contraction in demand, many simply asserted that a surplus would emerge as businesses would continue to produce output despite the fall in demand. Similarly, others asserted illegal markets would simply arise without explaining why. Of the alternative policies offered, indirect taxes were the most popular and candidates were equally as confident in explaining not only how it might reduce the consumption of demerit goods, but also its limitations e.g. the PED of the demerit good. Furthermore, many candidates referred to the problem of information failure and made the point that the revenue from indirect taxation could be used to fund the provision of e.g., advertising campaigns. As ever, the best responses attempted to answer the question 'why' for all points raised even if briefly and considered both strengths and weaknesses of the policies discussed. There was evidence of some good evaluation, and the best answers pulled the analysis together to consider which policy discussed was likely to be the 'best' policy for example, by referring to the ability of authorities to control the emergence of illegal markets, or whether the authorities could realistically ever control the purchasing of such goods in a free market.

Section C

Question 4

- (a) Once again, a relatively new topic and the least popular question in **section C**. However, many candidates were able to gain reasonable marks. Many had a good grasp of the basic diagram and the correct direction of the flows of income and expenditure between firms and households although some merely referred to the flow of factors of production and goods and services rather than income and expenditure. Similarly, many were able to distinguish between injections and withdrawals in an open economy and were able to explain why economic growth would occur or not because of injections being higher or lower than withdrawals. This was also often explained in the context of X-M due to an open economy. This often also led to valid evaluation. However, some candidates did not draw a valid diagram showing the direction of income and expenditure flows and attempted to explain economic growth in terms of increases in AD/AS which although correct, did not answer the question. Overall, answers were good and as with 2(a) it is hoped that if similar questions are asked in future, more candidates will have the confidence to attempt it.
- (b) The first thing to be noted with this question is that long run economic growth is likely to need increases in AS and AD and although better answers acknowledged this and the limitations of supply side policy in increasing AD, many did not or made very brief reference to it. Standard answers often focused heavily on the advantages and disadvantages of supply side policy and then a similar discussion about fiscal and monetary policy although the latter were often discussed as a means of increasing AS and not AD. Consequently, many answers gained reasonable marks for analysis, they did not really address the issue of long-term growth and the need to increase both AS and AD at a similar rate which depressed evaluation marks. However, those who did acknowledge this and the need to combine demand and supply side policies so neither was necessarily most effective, could and did gain high marks.

Question 5

- (a) Many candidates were unable to clearly distinguish between what protectionism means and the tools of protection. This led to some lower-than-expected AO1 marks. Candidates need to be reminded that protectionism is not simply protecting domestic businesses and nor is it a list of the tools of protection. It is a means of governments protecting domestic businesses from foreign competition by interventions in the free market/free trade usually to increase the price competitiveness of domestic businesses at home and/or overseas. The tools simply work in different ways to achieve these objectives. As in 3(a), this question focused on one tool/policy i.e., tariffs, and a discussion of alternative policies was not relevant. Similarly, the policy needed to be judged in the context of how effective it was in terms of the success in protecting domestic businesses compared with the defined meaning of protectionism. Therefore, although there was a great deal of accurate knowledge, despite allowances being made in the mark scheme, marks were often disappointing as answers often did not fully address the question. Better answers referred to the problems caused by inelastic PED for imports and the fact that trading partners may retaliate but this was not always clearly analysed in terms of its effect on e.g., the competitiveness of domestic businesses and so evaluation was often weak or simply e.g., quotas would be better, and this did not answer the question.
- (b) Many candidates offered standard discussions about the advantages and disadvantages of free trade against the advantages and disadvantages of protectionism. Often this included discussions about absolute and comparative advantage and the benefits of comparative advantage in boosting e.g., overall output. Although much of this discussion was accurate and displayed good knowledge and understanding, it was often poorly applied to a developing economy which was often referred to (if at all), in passing. Whilst there were quite a number of generic answers that were not fully applied, there were some excellent responses that highlighted the dilemma faced by developing countries namely, the need to trade freely their (often) primary products whilst at the same time trying to protect their infant industries and avoid exploitation of their scarce resources. Better answers evaluated the overall question by referring to the timescale, e.g., protectionism in the short term and a move to more free trade in the long term. The full range of marks was evident in this question, and it emphasised the need (as in all questions) to carefully read and answer the question set rather than a slightly different one.

ECONOMICS

<p>Paper 9708/23 AS Level Data Response and Essays</p>
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Key messages

- For **Question 1**, data response, one important change within the new syllabus is that 4– and 6-mark questions will contain a requirement for explained analysis and evaluation. Similarly, knowledge and understanding marks will only be awarded if they are relevant to the question and, where possible, within the context of the data itself.
- **Part (a)** of essay questions is now split on a 3, 3 2 basis. AO1 gains up to 3 marks, AO2 up to 3 marks and AO3 up to 2 marks. Candidates need to organise their answers based on this split and must be encouraged to apply all knowledge and understanding to the question that is set. Furthermore, all analysis should be relevant and fully explained to gain credit. Answers that simply state facts without any explanation are very unlikely to gain credit. Finally, evaluation must compare and contrast the preceding analysis and make a judgement to answer the question to be awarded marks.
- Whilst the use of accurate graphs, formulae and concepts is strongly encouraged and is indeed a very important part of answering most questions, it is important to note that without further explanation and analysis, such a focus alone will only be credited as AO1. Analysis is underpinned by such knowledge and understanding but to move into AO2 and AO3, it requires further elaboration and explanation/application.
- In **part (b)** of essay questions, answers which examine one side of the question only will be highly unlikely to gain more than mid-Level 2 analysis and will not be awarded evaluation marks as they are unlikely to fully answer the question.
- Candidates therefore need to be fully prepared by centres to follow this approach to maximise their marks.
- Centres are further reminded that questions may be drawn from any part of the syllabus and therefore full coverage of the syllabus is essential.

General comments

- Overall, a full range of marks was in evidence and there was a pleasing number of high marks within the whole cohort. However, across regions and centres, there was an extremely wide variation in marks with candidates from some centres barely exceeding single figures and other centres where candidates generally scored well,
- There was, therefore, a significant minority of candidates who were clearly underprepared for the examination and achieved very low marks despite, in some circumstances, writing a great deal.
- Rubric errors were pleasingly rare, and most candidates answered the correct number of questions from the correct sections of the paper.
- For most candidates, time did not appear to be a problem and most appeared to finish with enough time. However, there is still a tendency to spend too much time on the 2-mark questions and also on detailed discussions within essays of information that is not relevant to the question.
- Although most scripts were legible, there was still a significant minority where handwriting was indistinct causing a great deal of concern. Every candidate will want their hard work to be accredited but need to take more care in certain instances, to ensure that it can be clearly read by Examiners.

Comments on specific questions

Section A

Question 1

- (a) It was very clear that very few candidates had any real understanding of what is meant by or how to calculate real interest rates in an economy. It is the actual interest rate minus the rate of inflation and in this case, 14 per cent – 48.7 per cent = –34.7 per cent. There were some extremely strange answers, and a significant number of candidates offered no response so the majority gained zero marks,
- (b)(i) All candidates needed to do for the first mark was to identify a possible reason for the depreciation of the Turkish lira. Reasons were clearly identified in the text although from any elaboration offered it was obvious that many candidates did not understand why the reason itself led to a fall in demand for the lira in the forex market and therefore a depreciation in its value. Better candidates easily gained 2 marks whilst weaker candidates gained 1 mark due to an identification regardless of what was written afterwards.
- (ii) Most candidates who gained marks did so by brief reference to the impact on the price of exports i.e., becoming more competitive and the price of imports i.e., becoming less competitive and the resulting boost to domestic producers. The impact on raw material import prices and the resultant increases in costs of production leading to possible reductions in price competitiveness was also considered by better candidates. However, a fall in investment by domestic producers due to uncertainty over the value of the lira in the forex market was very rarely considered. As the discussion tended to be very simplistic, evaluation was very rare and tended not to consider PED values or the reliance on imported raw materials so total marks tended to be 2 – 3.
- (c) The extract offered many useful reference points but many of the answers were uncritical and rarely offered much explanation as to why the separate outcomes suggested that the policies were beneficial or not. For example, rising prices were often referred to as showing that the policies were not beneficial but why and for who? Similarly, the collapse in the value of the lira was also often cited as a disadvantage due to increasing import prices but they would not be disadvantageous to all the economy. Also, very little reference was actually made to possible benefits such as the fall in interest rates and the flattening of recent CPI rates which might lead to more investor and consumer confidence. Whilst there were some good marks generated on this question for a genuine critical analysis, many candidates resorted to copying out or paraphrasing chunks of the extract and also tended to ignore one side of the analysis with the effect that the answer gained only 1 – 2 marks.
- (d) Candidates need to be reminded that a simple display of knowledge and understanding is insufficient for credit in questions such as these. Answers must explain how, in this case, the policy may reduce the rate of inflation and for balance, what may be the weakness. As the question refers to policies, it was also necessary to discuss at least two alternatives. Most candidates chose to explain other types of monetary policy including the manipulation of exchange rates and credit restrictions plus fiscal and supply –side policy. Strangely, some referred to interest rate changes having clearly not read the question fully. It was possible to gain good marks for this question but only as aforementioned, if explanations were given as to how they would work rather than overviews of the policies themselves e.g., stating that fiscal policy is the manipulation of government spending and tax but no explanation as to how inflation may be reduced. Drawbacks also had to be explained for each and the likely success of the policies judged against each other to gain full marks,

Section B

Question 2

- (a) Clearly, this is a highly topical question and one which many candidates (it was the most popular question in the section) had a strong view on, normally from the perspective of the environment. Unfortunately, many candidates did not approach it using an economics approach and there was a great deal of generalised discussion that was often repetitive and of limited value. Better candidates were able to refer specifically to the role of income, tastes and attitudes and more often, the price and availability of complements and substitutes. Such candidates were then able to make

a compelling case for income and energy (including petrol and electricity) prices being most significant at the present time and draw relevant conclusions. Sadly, such analysis was rare despite the question being accessible to most candidates.

- (b) There were quite a number of accurate and not so accurate demonstrations of knowledge and understanding of what is meant by cross elasticity of demand and income elasticity of demand. This was often accompanied by formulae, definitions and graphs again, some accurate and some inaccurate. However, application to the question of which was most important in determining the demand for electric cars was much rarer. As pointed out in the key comments, such an approach alone is level AO1 even if described well. Level AO2 responses must be applied and relatively few candidates were able to do this confidently. Consequently, evaluation marks were rare, and marks overall tended to be low. Candidates need to be encouraged to limit the demonstration of knowledge and understanding and focus more on how, in this case XED and YED could be used to determine the demand for electric cars.

Question 3

- (a) Fewer candidates attempted this question than **Question 2**, and those who did clearly found it challenging. Although most who attempted the question were able to draw a valid diagram, most were unable to demonstrate that a move to allocate more resources to consumption would be represented by a movement along the curve towards the consumption axis. Furthermore, many candidates were unable to offer much in the way of explanation as to how a government could ensure more resources were allocated in this way. Those who did generally referred to subsidies, but it was not always clear that these should be for consumers rather than businesses. Reducing support to businesses for investment was rarely mentioned as was reducing income tax or taxes on consumer expenditure. Similarly, any valid evaluation was rare. This was a slightly different approach to a fairly standard question but clearly the few candidates who attempted it found it difficult to answer.
- (b) There were some reasonable answers that discussed the trade off involving short run and long run effects mainly for consumers and governments. However, in the few answers available, most just simply assumed producers would gain as they could make additional profits, consumers would have more choice and governments would receive more revenue without any critical analysis which led to Level 1/2 responses. However, for the few who critically examined the time scale e.g., the fact that in the short run consumers might have less resources and choice available and may need to pay higher taxes to fund investment by government, in the long run more choice may be available, and government may gain increased tax revenue. In this group, candidates were then able to make reasonable evaluation as to whether producers would be the only ones to benefit.

Section C

Question 4

- (a) This was by far the most popular question in **section C**. It also had a full range of marks. The main reason for very low marks was simply an inaccurate, often micro diagram that occasionally inverted the S and D curves and sometimes, despite the question, had no diagram at all. For weaker candidates, the diagram was the only source of marks for knowledge and understanding. However, better candidates were able to offer an explanation as to why AD might rise and how this might affect real output and the price level depending on the shape of the AS curve or whether AS shifted along with the increase in AD e.g., if it was a result of an increase in I. Such candidates also often made clear references to the extent of spare capacity in the economy and were able to offer valid evaluation of the extent of the problem of inflation depending on spare capacity.
- (b) This was a straightforward question, and the better candidates had a good understanding that it depended upon the type of unemployment as to whether increases in AD or supply side policy was the best option. Weaker candidates tended to just describe various policies without any critical analysis or differentiation about the extent to which they could reduce e.g., structural and cyclical unemployment. As ever, the degree of explanation of the policies and the links to how effectively all types of unemployment could be reduced determined the level of marks awarded. The reference to a high-income country was rarely made and even when it was, it was only generally made in passing. Evaluation tended to be summative and assertive and added on as an afterthought. It would assist candidates if more emphasis was placed on this skill given the number of marks now allocated to A03.

Question 5

(a) and (b) It is impossible to offer an adequate assessment of how this question was approached. Very few candidates attempted it and only one reasonable answer was seen. Candidates in general did not understand what is meant by terms of trade. There was great confusion as to whether it referred to the rules of trade or the balance of trade which meant the vast majority of answers gained 0 marks for both parts of the question. Clearly, this is a part of the syllabus that requires more attention.



ECONOMICS

Paper 9708/31
A Level Multiple Choice

Question Number	Key	Question Number	Key	Question Number	Key
1	B	11	B	21	D
2	C	12	A	22	C
3	A	13	D	23	D
4	B	14	B	24	A
5	C	15	C	25	B
6	C	16	C	26	B
7	B	17	B	27	C
8	A	18	D	28	A
9	C	19	A	29	C
10	B	20	A	30	A

General comments

Overall performance was of a good standard with 15 per cent of the candidates answering more than 24 of the questions correctly.

Candidates performed slightly better on the microeconomic questions compared to the macroeconomic ones. **Questions 2, 3, 5, 9 and 28** were answered most successfully, with a correct response rate of more than 80 per cent in each case. Questions **11** and **19** were answered correctly by fewer than a third of the candidates.

Comments on specific questions

Question 11 required candidates to identify a policy causing government failure. This is where a policy implemented to correct a problem, in this case the amount of rubbish (garbage) created by firms, may cause a deterioration in economic performance. Just under a third of the candidates correctly answered option **B**. Taxes will often cause the creation of a shadow economy which, in this case, may lead to illegal dumping of rubbish (fly tipping) which is one example of government failure. The other three options were each selected by between a fifth and a quarter of candidates. However, each option (incentives, advertising, and grants) is encouraging positive behaviour, as opposed to taxation which penalises negative behaviour. It is the latter type of policy which is most likely to lead to government failure.

Question 13 was about the cause of the poverty trap. As more than a fifth of candidates selected each of the three incorrect answers, it suggests that many did not know the meaning of this term. Option **A** may be one definition of poverty. Option **B** may be unwise, but will not necessarily affect poverty, due to savings or borrowing. Option **C** may lead to a fall in disposable income. However, option **D** is the correct answer as the poverty trap is linked to the loss of benefits as an individual or household earns more income.

Question 19 was the least well answered, with only 28 per cent of the candidates choosing option **A**. This is correct as the Keynesian model assumes households will save a greater proportion of their income as it increases. Option **C** was chosen by more than 40 per cent of the candidates but, unlike classical or monetarist economic models, full employment is not an assumption of Keynesian theory. Option **D** was less popular but still selected by one in six candidates. However, the Keynesian model can be applied to open or closed economies (i.e., with or without international trade).

Question 29 required candidates to know what was meant by the optimum population. The fact that nearly half of the candidates chose option **A** suggests that most did not know what this term meant or misread the question to be about population. A rise in the birth rate may increase the population but not the optimum population which is that population which maximises GDP per head. More than a third of candidates correctly chose option **C**. An increase in the stock of the other factors of production, such as capital, will allow the optimum population to increase.



ECONOMICS

Paper 9708/32
A Level Multiple Choice

Question Number	Key	Question Number	Key	Question Number	Key
1	C	11	B	21	C
2	C	12	D	22	A
3	A	13	C	23	D
4	A	14	C	24	D
5	D	15	D	25	A
6	C	16	A	26	B
7	A	17	C	27	A
8	C	18	B	28	C
9	A	19	A	29	A
10	A	20	C	30	D

General comments

Overall performance was very good, with 15 per cent of the candidates answering more than 25 of the questions correctly. It was also pleasing to note that more than 80 per cent of the candidates answered at least half of the questions correctly.

Candidates performed significantly better on the microeconomic questions compared to the macroeconomic ones. **Questions 1, 7, 10, 22, 26 and 29** were answered most successfully, with a correct response rate of more than 80 per cent in each case. **Questions 18 and 21** were answered correctly by less than 30 per cent of the candidates.

Comments on specific questions

Question 18 was the least well answered, with only 27 per cent of the candidates choosing option **B**. This is the correct option as the provision of unemployment benefits will not force firms to raise wages (quite the opposite may be the case). Option **A** was chosen by more than half of the candidates. However, although it may be considered unethical behaviour, the presence of unemployment benefits to support workers may make it more likely or 'easier' for firms to dismiss workers, if they are too expensive to employ. It is possible that candidates missed the word 'not' in the question, even though it was in bold. Option **D** was less popular but still selected by one in eight candidates. However, unemployment benefits will increase government spending (in many countries it is one of the largest components of government spending) which is likely to force taxes to be increased.

Question 20 was about three methods of measuring the performance of an economy: a PPC, the LRAS schedule, actual GDP against trend GDP. Although more than half of the candidates correctly chose option **C** (it is clear from all three diagrams that the economy is currently below its optimum or equilibrium level, so would be experiencing a deflationary gap) each of the incorrect options were popular. Option **A** cannot be correct as, in each case, any growth in the economy will not initially cause prices to rise as there is plenty of spare capacity. It can be seen from the middle diagram that supply-side policies would be ineffective, as the economy is currently operating on the horizontal portion of the LRAS, so option **B** is incorrect. Option **D** is also incorrect as the PPC shows that there are excess resources in the economy which would include labour.

Question 21 required candidates to identify the conditions required for an economy to experience a liquidity trap. Keynes suggested this would occur when interest rates are very low, and speculators expect bond prices to fall in the near future. Only 29 per cent of the candidates recognised that option **C** was correct. Speculators would be expecting bond prices to fall if the economy is in decline which would be most likely when both the rate of economic growth and inflation are low. Option **B** was the most popular answer. However, if the rate of inflation is high, speculators will be expecting bond prices to increase. Both options **A** and **D** were chosen by about 15 per cent of candidates. Performance by most on this question suggests that many are unfamiliar with what conditions are necessary for a liquidity trap to exist.



ECONOMICS

Paper 9708/33
A Level Multiple Choice

Question Number	Key	Question Number	Key	Question Number	Key
1	B	11	B	21	D
2	C	12	A	22	C
3	A	13	D	23	D
4	B	14	B	24	A
5	C	15	C	25	B
6	C	16	C	26	B
7	B	17	B	27	C
8	A	18	D	28	A
9	C	19	A	29	C
10	B	20	A	30	A

General comments

Overall performance was of a good standard with 15 per cent of the candidates answering more than 24 of the questions correctly.

Candidates performed slightly better on the microeconomic questions compared to the macroeconomic ones. **Questions 2, 3, 5, 9 and 28** were answered most successfully, with a correct response rate of more than 80 per cent in each case. Questions **11** and **19** were answered correctly by fewer than a third of the candidates.

Comments on specific questions

Question 11 required candidates to identify a policy causing government failure. This is where a policy implemented to correct a problem, in this case the amount of rubbish (garbage) created by firms, may cause a deterioration in economic performance. Just under a third of the candidates correctly answered option **B**. Taxes will often cause the creation of a shadow economy which, in this case, may lead to illegal dumping of rubbish (fly tipping) which is one example of government failure. The other three options were each selected by between a fifth and a quarter of candidates. However, each option (incentives, advertising, and grants) is encouraging positive behaviour, as opposed to taxation which penalises negative behaviour. It is the latter type of policy which is most likely to lead to government failure.

Question 13 was about the cause of the poverty trap. As more than a fifth of candidates selected each of the three incorrect answers, it suggests that many did not know the meaning of this term. Option **A** may be one definition of poverty. Option **B** may be unwise, but will not necessarily affect poverty, due to savings or borrowing. Option **C** may lead to a fall in disposable income. However, option **D** is the correct answer as the poverty trap is linked to the loss of benefits as an individual or household earns more income.

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Question 29 required candidates to know what was meant by the optimum population. The fact that nearly half of the candidates chose option **A** suggests that most did not know what this term meant or misread the question to be about population. A rise in the birth rate may increase the population but not the optimum population which is that population which maximises GDP per head. More than a third of candidates correctly chose option **C**. An increase in the stock of the other factors of production, such as capital, will allow the optimum population to increase.



ECONOMICS

Paper 9708/41

A level Data Response and Essays

General comments

There were some good answers to this paper with many candidates presenting well balanced and clearly structured answers which related accurately to the question and were enhanced by relevant examples and applications throughout. Better responses came from candidates who provided evaluative comment and development links to the question. As in previous papers the key weakness in some answers was the failure to direct responses precisely to the question being asked. This was evident in **Question 2** where candidates did not develop the issue of efficiency. Potential access to higher grades was often denied because candidates failed to evaluate their responses. It was evident that some centres had prepared and practised the higher level skill of evaluation and this often boosted the final grade awarded. **Question 3** explicitly requested the use of an indifference curve diagram. Many candidates managed to produce correctly labelled diagrams but few addressed the invitation to assess the extent to which a rise in price would affect the demand for a normal good and for a Giffen good. Answers with no diagram could not gain marks above Level 2. It is possible to access Level 3 marks without the use of supporting diagrams where the use of diagrams is not required by the question. However, candidates should be encouraged to use a diagram if it is relevant to the question. Correctly labelled and relevant diagrams can help achieve strong analysis marks and support evaluation. There were opportunities to use diagrams. For example: **Question 2** to illustrate productive and allocative efficiencies and the long-term equilibrium position of a firm under conditions of perfect competition and question 4 to distinguish between actual and potential growth and show any trade off in macro objectives.

Comments on specific questions

Section A

Question 1

- (a) To gain full marks candidates needed to identify three aspects: the Gini co-efficient as a measure of income inequality or wealth distribution amongst the population, the coefficient ranges from 0–1 and what these ranges represent. A number of candidates confused the representation of 0 and 1.
- Some candidates confused the term equality with equity.
- (b) This question was generally well answered. Many candidates correctly applied the term 'poverty line' or used the World Bank definition of absolute poverty.
- (c) This question was not well answered with a number of candidates incorrectly stating that the table supports the conclusion that greater inequality of incomes is linked to poor literacy ratios of females and leads to greater poverty. There is no link in the table provided to absolute poverty and there is no information about relative poverty. There is no apparent link to poor literacy ratios. Up to 2 marks were awarded for use of the data even where the conclusion was incorrect.
- (d) Most candidates identified progressive taxation and education and training as examples. Marks were awarded for a correct policy identification and some development of this. There needed to be a link to attaining greater equality in the distribution of income for each policy.

Section B

Question 2

This was a popular question and there were some good, balanced responses which considered the long term equilibrium position of firms in perfect competition. These responses used a diagram to support their response and discussed both productive and allocative efficiencies. There were some good responses to the second part of the question about what prevents efficiency being achieved. These responses commonly examined market failure in terms of the existence of externalities, merit goods and the need for public goods. Some candidates discussed the need for government intervention, providing relevant examples. Much weaker was the lack of evaluative comment. Candidates should always make evaluative comments for essay responses. In this question evaluative comments stating that perfect competition is a theoretical construct and that government intervention in the production of a good or service does not necessarily achieve productive or allocative efficiency, thus creating market failure.

Question 3

There were some correctly labelled indifference diagrams. Candidates attempting this question were well prepared and produced correctly labelled indifference diagrams which illustrated the correct direction of change due to the substitution and income effects for both normal and Giffen goods. Fewer candidates addressed the extent of price change and failed to access AO3 marks awarded for developed, reasoned and supported evaluative comment. For example, comment on the extent of changes linked to the price elasticity of demand and the slope of the indifference curve and marginal rate of substitution.

Section C

Question 4

This was a popular question. There were some good responses which commented on the meaning of economic growth, its measurement and effect. More focused responses distinguished between actual and potential growth and made reference to the multiplier. Examples of how economic growth is good for a country were expected. Better responses discussed the resulting increase in consumer and business demand thus allowing for investment, research, further production and economic growth. Candidates who provided a balanced response addressing why economic growth may not be good for a country scored highly. For example, demand pull inflation where there is limited spare capacity, increase imports, the quality and quantity of factors of production, environmental degradation. These were commonly stated by candidates who produced balanced responses to this question.

Question 5

This was not a popular question choice although there were some competent answers. Definitions of the term national income, the standard of living and the distinction between high-income and low-income was expected. Better responses provided reasons for the difficulties of comparison of different countries due to culture, climate, the level of subsistence and the informal economy. Other examples referred to GDP per capita, inflation and employment trends. Evaluative comments assessing the link between using national income figures and the standard of living gained marks. A number of candidates considered alternative measures of the standard of living the most common being the Human Development index (HDI) and Measurable Economic Welfare (MEW).

ECONOMICS

<p>Paper 9708/42 A Level Data Response and Essays</p>

Key messages

- Candidates generally demonstrated that they understood the relevant theory and the best candidates were able to articulate the analytical aspects within the context of the question. Others failed to fully develop the analytical aspects of the question or to apply it to the context of the question.
- Many questions contained the trigger word 'Evaluate'. This term required a candidate to judge or calculate the quality, importance, amount, or value of the information or theory that was used in the answer. Whilst many produced a limited evaluation few developed the evaluative point sufficiently to gain a Level 2 evaluation (E2).
- Candidates are reminded that a thorough reading of the question is necessary to pick out the full breadth of the question. This is especially true now the questions are without sub-divisions.

General comments

- The level of English shown by candidates was of its usual high standard. Many answers were again of a high standard in response to the questions.
- The common faults were as in previous examinations, but they are worth repetition: The use of badly drawn, or inaccurately labelled diagram, or even perfectly presented diagram without any reference to them in the essay re-occurred as did the use of pre-learned answers that did not match the question which had been set. These comments, however, should not detract from the impression that the standard of response was high.
- Some candidates wrote at great length. In many examples these responses were poorly directed towards the question set. Candidates who can produce a relevant, concise and well directed answer will always be fully rewarded.

Section A

Question 1

- (a) Many scored full marks on this question. The main errors were omitting to refer to 'long term' or 'average costs' in the definition of internal economies of scale.
- (b) Very few had a clear idea on the concept of 'minimum efficient scale'. Candidates were however able to apply the concept to the data and were able to distinguish between technologies A and B.
- (c) Generally, the diagram was drawn accurately, and most candidates scored 3 marks for this. Comments based on the diagram and on the text were weaker. Some identified the fall in wages or the structural unemployment, but few recognised the need for training. One error which occurred on some scripts was to a reference to aggregate supply (AS) and aggregate demand (AD) when labelling the diagram.
- (d) This question saw many good answers as candidates drew relevant points from the text. However, few made any evaluation of their answer. A minority failed to distinguish between the two countries and regarded them as being affected in the same way.

Section B

Question 2

This was a very popular question.

Good candidates presented a definition of allocative efficiency (AE) either in terms of a diagram or with reference to $MC = MR$ or a relevant variant. Explanations of the loss of AE due to externalities was added to the responses. Better answers explained the meaning of externalities in terms of the shift from private to social costs and benefits. When candidates approached the requirement to illustrate their response with two government policies they divided into two groups: those who followed this requirement and those who wrote all the knew about possible policies. Whilst all of candidates' answers are read and marked those who fell into the former category generally were able to answer in greater depth and relevance.

Many candidates scored some marks for evaluation. Those who comment for example that the policy effect depended on the price elasticity were placed in E1, those who explained how the price elasticity affected the policy outcome were placed in E2. Explanation of the evaluation is required for E2 marks.

Question 3

Most candidates opened with a definition of the meaning of excess profits and the necessary conditions for a perfectly competitive market structure. They then applied the definition to the market structure and drew an appropriate diagram to show the excess profit. Diagrams were of a variable standard. Some were correct with the marginal cost (MC) passing through minimum average cost and profit maximisation occurring where marginal revenue (MR) equaled marginal cost (MC). A good number of candidates were unable to show either or both of these situations. These are significant detractors from the quality of the answer.

The better responses argued that the conditions of perfect competition allowed new firms to enter the industry lower the market price and erode the excess profits. Some did not do this and showed only the initial equilibrium.

Those candidates who were able to produce a correct analysis for perfect competition were generally capable of a similar degree of analysis for monopoly. They extended the analysis to show that monopoly could retain such a profit level.

Evaluation of the answers was in most cases limited often to the expression that perfect competition was unable to maintain excess profits whilst monopoly did. The consideration of a wider view of monopoly which looked at whether a monopolist always gained excess profits was disregarded.

Section C

Question 4

There was generally a reasonable level of analysis of the basic effects of fiscal policy and monetary policy. Good responses applied the theory to the context of the question, which was one of cost-push inflation. Those who failed to recognise context limited the quality of their response. Many drew relevant diagrams using aggregate demand (AD) and aggregate supply (AS) diagrams. Some referred to the Phillips Curve but were unable to apply this concept to the question.

Good evaluation recognised that if the suggested fiscal policy may not be applicable to cost-push inflation but rather to demand-pull inflation. Likewise, the suggested monetary policy may also not be applicable. An evaluation of the analysis supply-side policies or whether the suggested fiscal and monetary policies had a supply-side effect were appropriate.

Question 5

This question produced many good answers. Candidates had strong understanding of the concept of globalisation and began their answers with a clear statement of this. They developed a series of analyses of the effects of globalisation for example, Foreign Direct Investment (FDI) on investment, employment, gross domestic product and the consequences for income and the standard of living of low-income countries. The better answers analysed the impact in terms of both actual and potential growth. The weaker candidates did not extend their answers to consider the income level or the standard of living.

Good evaluation was only provided by a small number of candidates, although many candidates did know a large number of basic evaluative comments for example resource exploitation. Many of the points were not developed through a recognition of the negative externality.



ECONOMICS

Paper 9708/43

A level Data Response and Essays

General comments

There were some good answers to this paper with many candidates presenting well balanced and clearly structured answers which related accurately to the question and were enhanced by relevant examples and applications throughout. Better responses came from candidates who provided evaluative comment and development links to the question. As in previous papers the key weakness in some answers was the failure to direct responses precisely to the question being asked. This was evident in **Question 2** where candidates did not develop the issue of efficiency. Potential access to higher grades was often denied because candidates failed to evaluate their responses. It was evident that some centres had prepared and practised the higher level skill of evaluation and this often boosted the final grade awarded. **Question 3** explicitly requested the use of an indifference curve diagram. Many candidates managed to produce correctly labelled diagrams but few addressed the invitation to assess the extent to which a rise in price would affect the demand for a normal good and for a Giffen good. Answers with no diagram could not gain marks above Level 2. It is possible to access Level 3 marks without the use of supporting diagrams where the use of diagrams is not required by the question. However, candidates should be encouraged to use a diagram if it is relevant to the question. Correctly labelled and relevant diagrams can help achieve strong analysis marks and support evaluation. There were opportunities to use diagrams. For example: **Question 2** to illustrate productive and allocative efficiencies and the long-term equilibrium position of a firm under conditions of perfect competition and question 4 to distinguish between actual and potential growth and show any trade off in macro objectives.

Comments on specific questions

Section A

Question 1

- (a) To gain full marks candidates needed to identify three aspects: the Gini co-efficient as a measure of income inequality or wealth distribution amongst the population, the coefficient ranges from 0–1 and what these ranges represent. A number of candidates confused the representation of 0 and 1.
- Some candidates confused the term equality with equity.
- (b) This question was generally well answered. Many candidates correctly applied the term 'poverty line' or used the World Bank definition of absolute poverty.
- (c) This question was not well answered with a number of candidates incorrectly stating that the table supports the conclusion that greater inequality of incomes is linked to poor literacy ratios of females and leads to greater poverty. There is no link in the table provided to absolute poverty and there is no information about relative poverty. There is no apparent link to poor literacy ratios. Up to 2 marks were awarded for use of the data even where the conclusion was incorrect.
- (d) Most candidates identified progressive taxation and education and training as examples. Marks were awarded for a correct policy identification and some development of this. There needed to be a link to attaining greater equality in the distribution of income for each policy.

Section B

Question 2

This was a popular question and there were some good, balanced responses which considered the long term equilibrium position of firms in perfect competition. These responses used a diagram to support their response and discussed both productive and allocative efficiencies. There were some good responses to the second part of the question about what prevents efficiency being achieved. These responses commonly examined market failure in terms of the existence of externalities, merit goods and the need for public goods. Some candidates discussed the need for government intervention, providing relevant examples. Much weaker was the lack of evaluative comment. Candidates should always make evaluative comments for essay responses. In this question evaluative comments stating that perfect competition is a theoretical construct and that government intervention in the production of a good or service does not necessarily achieve productive or allocative efficiency, thus creating market failure.

Question 3

There were some correctly labelled indifference diagrams. Candidates attempting this question were well prepared and produced correctly labelled indifference diagrams which illustrated the correct direction of change due to the substitution and income effects for both normal and Giffen goods. Fewer candidates addressed the extent of price change and failed to access AO3 marks awarded for developed, reasoned and supported evaluative comment. For example, comment on the extent of changes linked to the price elasticity of demand and the slope of the indifference curve and marginal rate of substitution.

Section C

Question 4

This was a popular question. There were some good responses which commented on the meaning of economic growth, its measurement and effect. More focused responses distinguished between actual and potential growth and made reference to the multiplier. Examples of how economic growth is good for a country were expected. Better responses discussed the resulting increase in consumer and business demand thus allowing for investment, research, further production and economic growth. Candidates who provided a balanced response addressing why economic growth may not be good for a country scored highly. For example, demand pull inflation where there is limited spare capacity, increase imports, the quality and quantity of factors of production, environmental degradation. These were commonly stated by candidates who produced balanced responses to this question.

Question 5

This was not a popular question choice although there were some competent answers. Definitions of the term national income, the standard of living and the distinction between high-income and low-income was expected. Better responses provided reasons for the difficulties of comparison of different countries due to culture, climate, the level of subsistence and the informal economy. Other examples referred to GDP per capita, inflation and employment trends. Evaluative comments assessing the link between using national income figures and the standard of living gained marks. A number of candidates considered alternative measures of the standard of living the most common being the Human Development index (HDI) and Measurable Economic Welfare (MEW).