



**General Certificate of Education**

**Economics ECON4**

**Unit 4      The National and International  
Economy**

**Report on the Examination**

*2010 examination - January series*

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## Unit 4: The National and International Economy

### General

As centres will be aware, this was the first ECON4 question paper for the new Economics specification. Overall, it seemed to work well with no adverse comments being received from centres. Candidates seemed to make good use of the additional 30 minutes available to them. A sizeable proportion of answers seemed much better developed than had been the case in the legacy scripts.

Examiners' experiences seemed to vary in terms of the relative popularity of Question 1 and Question 2. Overall, I think Question 1 probably won in the popularity stakes. Nevertheless, the intention was that the question paper would be more accessible by including a choice of context questions, as opposed to the one compulsory data question in the legacy A2 papers.

None of the essay questions seemed particularly unpopular. Question 5 was probably the least popular (the unpopularity of exchange rate questions never being a surprise but something of a mystery). Even so, it was attempted by a reasonable number of candidates, with many having few problems in explaining the determinants of exchange rates for part (a) of the question.

The Quality of Written Communication was not a significant problem. A few candidates seemed intent on writing in a scrawl so that some words were totally illegible. It is also worth mentioning here the use of diagrams: many sensibly used half of one page to draw a graph; others made their diagrams the size of a postage stamp, expecting the examiner to read all of the tiny, scrawled labelling.

There seemed to be much greater evidence of the higher-level skills. Analysis was often sound and relevant and there were more scripts in which a genuine attempt was to evaluate in the body of the answer made as well as in the concluding remarks. The mark schemes always carry examples of possible evaluation and it seems that centres have used these when preparing candidates for the examination.

There would have been disappointment if scripts had not reflected the high profile given in the media in recent months to economic issues. Many candidates seemed aware of such issues as the 'credit crunch' and the UK's fiscal position and used these to help support their analysis and evaluation. For a small minority, sadly, such developments seem to have passed them by.

### Question 1 The Global Context

#### Part (a)

This part of the question asked only for two main features and the vast majority of candidates did not disappoint. There is increasing realisation that if an answer is clear (perhaps two short paragraphs separated by a blank line) and concise, it will gain the full 5 marks. There were far fewer examples of trawls through the data. It is worth pointing out that, although two marks can be given for use of data to support each point, only one mark will be awarded if the unit (in this case \$ billion) is not used. As is often the case, a few candidates wrote far too much for this part of the question.

#### Part (b)

In explaining economic growth, marks could be awarded for reference to actual and/or potential growth. Some candidates tended to confuse these and failed to make any distinction. Appropriate diagrams seem well known to candidates and were frequent features of answers.

For the second part, some candidates lost sight of the question and so did not keep the international trade - economic growth linkage centre-stage. Candidates also needed to make sure that they were writing about two **distinct** ways in which international trade might increase a country's economic growth.

Many candidates were able to score full marks on this part.

### **Part (c)**

The use of the phrase 'free trade agreements' in the stem of the question caused many candidates to confine themselves to writing only about trade in the context of greater openness. This was perfectly acceptable. Ignoring trade and writing about such issues as migration of labour and mobility of capital was less acceptable but did produce some quite reasonable answers on occasions.

As in a number of other questions set, candidates would do well to spend a bit of time in clarifying the criteria by which they hope to assess, in this case, the possible impact. Sometimes, references to the impact on the UK economy did not feature sufficiently strongly.

Centres need to note that if, as in both question 1(c) and 2(c), the phrase 'using the data' is included, there will be a mark constraint imposed if there is no explicit reference to the data ( a direct quote or a candidate stating, 'as in line...').

## **Question 2 The European Union Context**

### **Part (a)**

Obviously the comments made for 1(a) also apply here. This part of the question, however, was asking for a comparison. Candidates do need to ensure that they are comparing and not just stating main features as for 1(a). But, as for 1(a), it was good to see here how some candidates worked on the figures, for example, calculating % change between years or % difference between economies. This was not, of course, a requirement for full marks, however.

It should be stressed to candidates that for part (a) in any A2 question paper, comments on the data are not required and cannot earn marks.

### **Part (b)**

On the whole, this was done well. As for 1(b), a good many candidates scored full marks or in excess of the 10 marks which could be awarded. There is pleasing familiarity with relevant diagrams; only a small minority of candidates seemed unable to decide when a basic supply and demand diagram was needed, as opposed to an AD/AS diagram.

For part (b) the command words are important to note. 'Analyse' should suggest a deeper explanation than for the first part of the question when 'explain' is used. The mark scheme did carry a constraint of 6 marks if only one part of the question was attempted in both 1(b) and 2 (b).

### **Part (c)**

As mentioned earlier in this report, the majority of the candidates were happy to discuss, for example, a US recovery or renewed interest by overseas investors to invest in the UK. However, there were still too many who misunderstood the phrase 'external stimulus', either referring to domestic stimuli and/or to factors potentially **damaging** to UK macroeconomic performance.

As for 1(c), the quality and incidence of evaluation did vary across scripts but there was certainly more evidence of this skill. Ideally, examiners wish to see evaluative comments through the body of the answer, as well as some sort of final judgement to conclude. Indeed, it may be that evidence of a final judgement distinguishes a Level 4 from a Level 5 answer.

## **Essays**

### **Question 3**

#### **Part (a)**

The knowledge of the natural rate and its possible determining factors was good to see. Far less pleasing were those scripts in which no knowledge was displayed about the natural rate and so candidates wrote solely about unemployment generally. Few marks could be gained in this case. Standard diagrams were well known, although perhaps more attention could be given to the proper labelling of axes.

#### **Part (b)**

This was not the easiest of questions to tackle within the constraint of examination time. There were, however, some genuine attempts to get to grips with the Governor's underlying message and what the consequences might be if the suggested movement could be achieved. A few candidates lost sight of the fact that the question referred to the impact on unemployment and write more generally of the macroeconomic impact. It was a different sort of question to those usually asked, but, on the other hand, perhaps reflects well the principle of 'stretch and challenge'.

### **Question 4**

#### **Part (a)**

Some candidates wanted to explain the impact of fiscal policy on aggregate demand, rather than on the supply side, but most did successfully resist the temptation, apart from an acceptable brief reference in an introduction. A range of ideas were in evidence although it would have been good sometimes to have seen a fuller explanation given of some of them.

#### **Part (b)**

It was no surprise to see many references to the UK's fiscal position in answers, given its high profile in the media. Most candidates concentrated on the macroeconomic perspective, with some reference to the relevance of public sector spending to particular microeconomic issues and how these might impact on the UK economy. There were a few weaker responses which dealt solely with the implications for, say, defence, transport or the National Health Service, dealing with each of these in turn and not making any significant link with the UK economy. A few candidates thought that the question was about spending by the public and thus launched into a discussion of the impact of high levels of household consumption. These responses could score few marks.

### **Question 5**

More candidates would be advised to consider this type of question rather than shy away from it.

#### **Part (a)**

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This part of the question is really nothing more than showing how supply and demand analysis can be applied to the topic of exchange rates. Candidates could, and often did, score highly by applying supply and demand analysis to such factors as trade, speculation and investment. For the latter, too many confused investment with ‘hot-money’ flows.

### **Part (b)**

This part of the question did present more of a problem. Many candidates ignored, or chose to ignore, the crucial phrase, ‘frequent fluctuations’. This meant that they wrote about weak or strong currencies and may have thought that this answered the question. Examiners wanted to see the issue of fluctuations central to an answer and those candidates who did this were well rewarded. It was then important to relate their discussion to the macroeconomic objectives as mentioned in the question.

### **Concluding remarks**

Overall, the response to this first A2 paper based on the new specification is very encouraging. This report does cite weaknesses which it is hoped centres will try to address in the coming months, but also refers to many strengths.

It may be worth stressing that:

- both A2 papers are synoptic. In ECON 4, questions do offer good opportunities for candidates to use material from the AS units as well as from the other A2 unit (ECON3).
- examiners are very keen to reward a good awareness of recent or current economic events – events which, of course, much enhance the fascination of the subject and help explain its renewed popularity amongst students.
- centres must continue to stress the importance of evaluation in those parts of questions where it is expected to be in evidence. It is tragic to see answers which have excellent analysis but have a constrained mark imposed because of the absence of evaluation.
- candidates can help themselves by making sure handwriting and diagrams are legible (use more paper rather than less) and, for the diagrams, ensure they are supporting the text and are labelled in such a way that an appropriate message is being conveyed.
- candidates should spend sufficient time in making their choices of questions to answer. This might be more important for the context questions but is also pertinent to the choice of essay. There is evidence that a number of candidates see a word or phrase, such as ‘unemployment’ or ‘fiscal policy’, without giving due consideration to the actual question asked. They might therefore be making a wrong choice.
- candidates do need to use the data explicitly when responding to the context questions.

As always, it is hoped that this report can be used by centres to help improve candidates’ performance in future examinations. At the moment, there is considerable reason for optimism.

### **Mark Ranges and Award of Grades**

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