

Examiners' Report/
Principal Examiner Feedback

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Pearson Edexcel International
Advanced Level in Economics (6ECA2)
Paper 01 Managing the Economy

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International Advanced Level Economics (6ECA2)

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General comments

The questions on this paper seem to have been generally accessible to all students. There are no questions where there appears to have been any general problem in terms of significant numbers of students misreading a question, or a significant proportion making the same mistake. Students were able to access all the marks across all the questions provided they clearly knew the economic concepts they were discussing and could clearly analyse and evaluate them.

Whilst it may seem obvious, I would encourage students to carefully read the question before starting to answer it. Several answers in this paper simply weren't relevant to the question, and as such could not receive any marks. Students can highlight or underline key points in questions if this helps them focus their responses. The case study is also important- students' answers should be related to the context provided by the extracts, and there are application marks available for students who select appropriate data to use to enhance their argument. This is particularly the case in questions that start 'with reference to...'. This again highlights the importance of students carefully reading the question before starting to answer it, to make sure in their answer they are selecting the right knowledge, application, analysis, and evaluation points to score marks for that question.

Students should also consider the different command words used in exam questions- for example, in a question asking you to 'explain' something, there will not be any marks available for making evaluation points. This means students are not using the time allowed for this exam efficiently, and may therefore find themselves short of time on other questions that do ask them to 'assess' or 'evaluate'.

Students should also remember to clearly express their answers using words that examiners will be able to understand. If an examiner cannot understand the point that a student is making, they simply can't award marks for it. This is especially important in those questions where a student's quality of written communication is being assessed. These questions are highlighted with an asterisk.

A few students also made use of acronyms- there is nothing inherently wrong in this, but students should remember that the examiner may not always be aware of what an acronym actually stands for. It is good practice to write the phrase out in full the first time you use it and then put the acronym in brackets. E.g. supply side policies (SSP). This way there is no possibility of uncertainty about exactly what a student is referring to.

Question 1 focused on unemployment, economic growth, and the trade deficit, was significantly more popular with students than question 2. Around 75% chose to answer this question, rather than question 2- which focused on income & wealth, the circular flow of income, monetary policy, and inflation.

Specific comments

Question 1 (a) (i)

Most students achieved the two knowledge marks for this question as they were able to give one of the characteristics of the labour force survey- the most obvious being that they ask people if they have been unemployed for the past four weeks and are ready to start work in the next two. Some students got these numbers round the wrong way and consequently lost marks. This question is clearly asking for application, starting with the words 'with reference to extract 1'- but there were still a significant number of students who missed out on these marks by writing an entirely theoretical answer with no attempt at application.

Question 1 (a) (ii)

Most students immediately started this question with a discussion of the UK recession and/or lack of economic growth in the country, with most scoring the 4 marks available for explaining this point when they did so clearly. Some students found it harder to then come up with a second reason, with a few even resorting to basically explaining the same point again- not something that was going to get them any marks. The question clearly requires two reasons, so students failing to highlight two different issues were limiting themselves in terms of the grades they could get here. Trade issues were also a popular point for students to make, with many referencing extract 2 here which states that 'UK recorded its biggest trade deficit in 15 years'.

In terms of evaluation, issues of magnitude and a comparison between the different factors as to which is most important were common ways that students gained marks in this question. Some students were also thinking along the lines of 'ceteris paribus'- that there may be other external factors that are also having an impact on unemployment, despite the recession.

One issue that seemed to cause some confusion was the quote in extract 1 from the CIPD saying that 'one in three businesses is keeping more staff than needed to avoid losing skills...'. Students seemed eager to use this piece of application to answer this question, but really it isn't very helpful in supporting any explanation points. A few managed to gain marks for using it as part of an evaluation looking at the fact that unemployment could potentially have been even higher.

Question 1 (a) (iii)

This question is very clearly focused on the issue of **costs** for the economy of unemployment- yet a significant minority of students took this opportunity to explain two **causes** of unemployment, therefore earning themselves zero marks. This again emphasises the importance of students carefully reading the question rather than diving straight in and writing an answer that they think is relevant. In questions like this, students should consider how to structure their answer so they clearly have two separate points split up into two paragraphs. To get the full 4 marks for one point, there must be evidence of analysis in a student's answer- examiners will be looking for students who can explain 'how' or 'why' to get these analysis marks. For example, explaining why government revenue is likely to fall with reference to jobseekers allowance and/or tax revenue and explaining how these are linked. The bullet points on the mark scheme indicate areas where we were looking for points- students who only focused on one, for example talking solely about 'social costs' will only earn 4/8 as this is really just one cost of the high unemployment.

Question 1 (b) (i)

This question clearly discriminates between those who are confident about their definitions of key economic terms and those who are not. There were many very vague descriptions of GDP- for example, saying it was 'the goods produced in the UK'. Such attempts were not rewarded with any marks. There were three clearly distinct ways of students receiving the four knowledge marks available in this question- explaining about what 'real' means, talking about what GDP is measuring, and for talking about an 'increase' or similar words. For the final two application marks, students needed to make an explicit data reference to figure 1. Some students missed out on these application marks by referring to data in extract 1 instead, while others missed out by failing to use the actual data in figure 1- for example simply saying that China has the highest GDP growth rate and/or that the Eurozone was shrinking. Others also seemed confused and talked about the services exports data instead. This illustrates the importance of students being able to analyse and interpret data in preparation for their economics exams.

Question 1 (b) (ii)

This is a very broad and open question, thus allowing students to suggest any relevant factor- not just ones that would apply to the UK's trade deficit. Marks were not awarded for students who simply said that a trade deficit is caused by a reduction in exports and/or an increase in imports- this is a definition of a trade deficit, not a cause of it.

Many students discussed exchange rates as being a major cause of a worsening trade deficit- which is fine, as long as they have clearly explained, through step-by-step analysis, how this will work through the economy to have an impact on the demand for imports and exports of a specific country, such as the UK. Superficial references to a stronger exchange rate affecting demand for imports and exports would be likely to only receive 2 marks out of 4.

If students were discussing issues such as the UK's inflation rate being higher, UK goods being of low quality, etc. then there was a need for them to make it clear that they were referring to these issues **relative** to other countries. For example, UK inflation being 'high' isn't a problem unless it is relatively higher than the inflation rate of the UK's main trading partners.

Question 1 (b) (iii)

Generally, those students who knew what a trade deficit was scored well on this question and were able to identify two impacts on the economy, with particularly common impacts being mentioned including higher unemployment and the revenue/profits of exporting firms.

Diagram marks are awarded in the same way throughout this exam to ensure consistency and fairness, and there are many students who are failing to achieve the full four marks for their diagram. Some miss out on labelling lines and equilibria, but by far and away the most common mistake relates to labelling the axes on AD/AS diagrams. Many students used the micro labels of price and quantity, thus missing out on one mark for their diagram. In particular, 'price' on the vertical axis was the most common mistake seen- and this meant students would not get the mark for axes, even if their horizontal axis was correctly labelled.

Students are still finding themselves confused about the difference between a trade deficit and a budget deficit, with some beginning to talk about how there would be a worsening of the government finances or possibility of government having to borrow more money as a result of a trade deficit.

Question 1 (c)

This question invites students to discuss any 'policies' that could be used by the government to reduce unemployment. A lot of students seem aware that examiners are looking for three policies to be explained for this answer, and therefore many decided to talk about fiscal policy, monetary policy, and supply-side policies as their three separate points. This is a perfectly acceptable way to approach answering this question. Alternatively, students could equally talk just about three different supply-side policies and still achieve all 12 marks for explaining their policies. Fiscal and monetary policies can also be counted as more than one, depending on how students have written their answers. For example, increasing government spending on infrastructure which will require people to be employed in its construction could be one point whilst cutting taxes in order to give

consumers more money to spend and so increase consumption can be a separate point. Students who generally scored badly here are those who attempt to mention as many different policies as possible but fail to analyse any of them- thus earning a maximum of 2 marks per point, and so 6/12 marks in total.

Another problem that some students faced is that they failed to actually identify specific **policies** and instead wrote in very vague & general terms about, for example, 'improving competitiveness of firms' or 'encouraging investment'. These are not policies, and so did not get any marks.

Also, students who wrote a totally generic answer explaining what the main different policies are also struggled to get beyond 6/12 for explanation of their points as in this case they had failed to link the policies specifically to the issue of unemployment, and how they could be used to reduce it.

In terms of the initial 6 marks available, the majority of students achieved these marks through drawing a diagram and then mentioning either fiscal, monetary, or supply-side policies. The students who had not drawn a diagram to go with their answer generally found it harder to achieve all 6 of these marks.

With evaluation, most students who did evaluate were able to do so effectively for this question. There was a fairly wide variety of evaluation points seen in students' responses for this question, but the most common was definitely to consider how policies would conflict with other macroeconomic objectives- for example, how policies to boost growth such as increased spending on infrastructure could lead to damage to the environment. As with the explanation, students need to ensure they have three points that are clearly detailed rather than a wide selection of brief evaluation points. Points that are too brief, for example 'supply-side policies take a long time' were felt to be too superficial to receive any marks.

Question 2 (a) (i)

This was a very easy question for those students who had learnt their key economic definitions- and very hard for those who had not. Students who used the key terms flow and stock in the right context would automatically be receiving full marks, but too many described income as something that people 'earned' and failed to make clear the key point about income- that it is regular payments and continually flowing to a person. Students seemed more able to get across the concept of wealth, with many referring to it as 'assets' and some giving examples such as housing.

Question 2 (a) (ii)

This question seemed to pose quite a challenge to students, with only a minority being able to draw a correct circular flow of income diagram that included the appropriate injections and leakages. Many students did not even attempt to draw a diagram which, whilst not being a requirement of the question, was something that students should have been doing bearing in mind the question specifically refers to the circular flow of income. There were even a few students who attempted to answer the question without any reference to the circular flow of income at all.

However, whilst diagrams did prove to be fairly taxing for students, few scored zero on this question. Most were able to identify that a fall in investment would lead to a fall in aggregate demand, with some stating that this would be due to less injections into the circular flow. Most were also able to reference the correct piece of application from extract 1.

Question 2 (a) (iii)

Whilst this question is about the housing market, students need to remember that this is a macroeconomics paper- hence the question referring to the 'impact on the UK economy'. Answers discussing the problem in terms of how it would affect the housing market, price of houses, and housebuilders are not relevant to answering this question unless they have been broadened out to consider the impact this could then have on the wider UK economy.

In terms of application, only a reference to house prices being 13% below their 2007 level was awarded marks, as other application- such as that they fell by 0.7% in the five months to July 2012- did not seem relevant to this question, which specifically asks students to consider the impact of the fall in house prices **since 2007**.

It was expected that students would realise that this question was getting them to explain the concept of a negative wealth effect, and indeed many students did do this- usually scoring highly as long as they had step-by-step analysis. However, a significant number of students didn't seem to realise this and so tried to explain the answer in terms of other impacts. These students generally struggled to achieve the full 6 marks for knowledge and analysis.

In terms of evaluation, a common response was to look at the benefits for first-time buyers of falling house prices and how this may feed through to impact the economy. Students also discussed the significance of the size of the fall in house prices and whether it would therefore have a major impact on the UK economy or not.

Question 2 (b) (i)

With this question it is again very important for students to read it carefully- the focus is specifically on whether inflation above 2% **is a cause for concern**. Students who explained why inflation might be above 2% were not going to be getting any marks for this question.

Equally, students who simply state that this means prices are rising rapidly and that this in itself would be a problem did not receive any marks unless they had explained why this was a problem- for example if our relative inflation rate is higher than our main trading partners, or the impact of real wages falling if wage increases do not keep up with inflation.

Students who wrote about more than one reason only received marks for the best out of their two reasons.

Question 2 (b) (ii)

This question was generally answered well, with most students able to identify two of the three key causes from the text. The most common of the three points were relating to oil prices and corn & wheat prices. What students then needed to do, having identified these factors, was explain their impact on the inflation rate- e.g. oil is a key commodity used in production of many goods so will increase costs of production for firms. Many students did this successfully, but some struggled with this explanation. A significant number of students also drew an appropriate AD/AS diagram and were rewarded for this.

Some students, who presumably had not read the case study carefully, chose to consider the possibility of demand-pull inflation in the UK economy. This was not relevant- bearing in mind both the information included in the case study and the fact that the UK has only just emerged from recession and has very low growth rates.

Question 2 (b) (iii)

To be consistent across all questions, diagram marks are awarded in the same manner, and the same problems with students' diagrams that were identified in question 1 (b) (iii) can be found in answers to this question too.

Many students failed to include application in their answers to this question, thus limiting themselves to 6/8 at the most. Others who did attempt to apply seemed to have misread the case study, which discusses the possibility of interest rates reducing from their current 0.5% level- not being reduced **by** 0.5%. On the other hand, the majority of students did score reasonably well on the KAA aspect of this question- identifying that we are looking at an increase in consumption/investment/AD here.

Those students who had demonstrated an understanding of monetary policy were then generally able to effectively evaluate on this question, discussing problems with the banking system not passing on reductions in interest rates, a lack of consumer & business confidence affecting consumption & investment, and other relevant issues.

Question 2 (c)

This question posed a number of similar challenges to those faced by students answering question 1 (c). For example, those who had not drawn an AD/AS diagram often struggled to get the full 6 marks in the initial section of the mark scheme. As with other questions that awarded marks for a diagram, there were still a significant number of students who were not correctly labelling their diagrams- particularly putting price instead of price level on the vertical axis.

With regard to the students who scored low marks on this question, it generally seemed to be because of a lack of economic understanding- some students clearly did not know what supply-side policies were, and discussed some fiscal and monetary policies, while one answer considered the question from a micro perspective. As long as students had the basic, solid economic understanding of supply-side policies there was no problem with them accessing this question.

In a similar way to question 1 (c), students need to be explaining three key supply-side policies to a sufficient level of detail in order to achieve 12/12. Students who struggled here were those who either didn't mention a specific policy- for example, they simply talked about more research & development without suggesting that the government could offer tax breaks to encourage it. Alternatively, they failed to link the policy back to the question by saying how it could help to reduce inflation in the UK economy.

Subsidies was frequently brought up by students, but not always in the context of a supply-side policy designed to, for example, encourage use of new technology. Students should be careful when they are discussing subsidies as they need to be put into the right, relevant context.

In terms of evaluation, again many students opted to consider the problem of policy conflicts. Many also looked back to their AD/AS diagram and considered the impact that other issues in the economy occurring at the same time (e.g. global recession, demand-side policies) could also have on the UK economy and its inflation rate.

Students who scored poorly on evaluation points were often those who failed to do anything more than simply state a very superficial point. This seemed to be a particular problem with students including very brief, almost throw-away statements like 'supply-side policies generally take a long time'. Without any context or understanding of why this was the case, students were not going to be achieving evaluation marks. Students must make sure that they are justifying the statements they are making.

Grade Boundaries

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