Examiners' Report/
Principal Examiner Feedback

January 2015

Pearson Edexcel
International Advanced Level (IAL)
Economics WEC04 Unit 4

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Introduction

There was a fairly low entry for this paper (fewer than 200 candidates).
 It should therefore be noted that the comments that follow are based on a relatively small sample size.

In Section A, the three essay questions were attempted by roughly equal numbers of candidates, but question 5 proved to be the more popular option in Section B. Mean scores were approximately equal across the different optional questions, although slightly stronger average performances were seen on question 2 from Section A (mostly driven by part 2(b)), and on question 5 from Section B (the difference in average performance between the two data response questions was only really significant on the part (d), 16 mark question).

Generally, scripts were of a lower quality than in previous sessions, with responses to the essay questions in Section A often particularly failing to answer the question and lacking in both depth and breadth. Similarly in answers to Section B, candidates tended not to make sufficient use of the data provided. Despite this general trend, there were some good scripts; these more able students were able to integrate their analysis with application to context, and particularly to evaluate their own arguments in detail.

SECTION A

Question 1(a)

Many candidates misinterpreted this question and instead wrote about macroeconomic policies which a government could implement in response to a recession in its own economy. This obviously ignored the main aspect of the question, and so responses which made no reference to the recession being in a trade partner's economy were limited to low level scores.

Those candidates who understood that a recession in a trade partner's economy would reduce the value of exports for the country in question, and hence affect aggregate demand, were usually able to suggest a range of relevant macroeconomic policies which might be used. Those who struggled with this tended instead to focus their answers on how the country might try to help its trade partner, often suggesting that they offer them aid. While there was some merit in this, it would be a relatively unlikely scenario, particularly as there was no reference made to the trade partner having high levels of budget deficit or national debt and so not being able to finance expansionary fiscal policies itself.

Stronger answers focused on how the country might try to move into other export markets, for example by conducting trade negotiations, looking to sign more bilateral trade agreements or to join a trade bloc; or how it might attempt to make its exports more competitive internationally generally, for example by devaluing its exchange rate, or in the longer term, controlling inflation more tightly or implementing supply-side policies.

Evaluation tended to be fairly weak, focusing mainly on a learnt list of points such as the opportunity cost of increased government spending and the time lag associated with many policies. More productive avenues for evaluation were considering how international institutions and other countries might respond to some of the suggested policies (such as currency manipulation).

Across all scripts, there was very little application to real world examples or countries. Whilst this was posed as a more theoretical question and did not explicitly ask candidates to refer to a country or countries of their choice (and so candidates who did not were in no way penalised in the mark awarded), applying answers in this way may well have provided candidates with a framework in which to base more in-depth analysis and evaluation of possible policies.

Question 1(b)

All candidates were able to identify that increased international trade might mean export-led growth for economies, and were able to explain this to different extents. In terms of analysis, examiners are really looking for chains of reasoning to be developed and this was an excellent opportunity for students to provide such a linked explanation of how a higher value of exports would lead to economic growth. Weaker candidates tended to end their answers here, while more able students went on to consider how increased trade might also mean a higher value of imports, and increased competition for domestic firms, with both the positive and negative possible implications of this for economic growth.

Many candidates were able to introduce arguments based on ideas of comparative advantage and specialisation, with more able candidates being able to explain these in far more detail and link them to economic growth, rather than simply refering to them. Similarly, the economic concepts of infant industries and dumping (among others) were well used by stronger candidates in evaluation.

As with part (a), the most common reason for students not achieving high marks was not answering the question asked. Too many students wrote an essay explaining the general costs and benefits of increased international trade to economies, rather than focusing solely on whether it would lead to a higher rate of economic growth.

Question 2(a)

Responses to this question were rather disappointing, with many candidates being able to show only a very superficial knowledge of NGOs and international institutions. In particular, examiners were really looking for candidates to identify and analyse the work of some specific organisations here but surprisingly few candidates were able to name a single NGO in particular. More candidates were able to mention the WTO, the World Bank or the IMF as international institutions, but knowledge of the roles and actions of these bodies was often very limited, with only the aims of the WTO really being understood. Further, when candidates were able to summarise the work of these institutions, they often left their answer there, rather than going on to explain how this would lead to increased rates of economic growth in developing countries. Students would therefore benefit from looking at at least one case study of an NGO and an international institution's work in a country.

Stronger responses had obviously done this, and some candidates were able to analyse the impact of NGOs such as Jubilee 2000/Jubilee Debt Campaign, Grameen Bank and BRAC (Building Resources Across Communities) with very good levels of economic knowledge and application integrated into their answers.

A number of candidates did not understand the term 'international institutions' and thought that this referred to multi-/transnational corporations. They therefore focused their answers on the effects of FDI and the location of such firms in developing countries, which meant that they were not answering the question.

Question 2(b)

Candidates produced some very good answers to this question, and in particular were able to apply their answers to a country of their choice in an interesting and useful way. It was obvious that when candidates chose to discuss their own countries, they were able to include far more detail, and integrate their analysis and application to a far greater extent.

The differences between strong and weak candidates were two-fold: first, weak candidates tended to give very descriptive answers, struggling to include much economic knowledge or theory in their analysis, meaning that their responses tended to lack depth, limiting them to Level 3 marks; and second, weak candidates struggled to evaluate the factors that they had identified. Indeed, many responses made no attempt at all at evaluation.

Responses that received higher marks tended to make good use of the various economic models that are relevant here, such as the Harrod-Domar model when considering the role of a savings gap, or the Lewis model when considering under-employment in agriculture-based economies etc. As referred to above, weaker candidates drew on economic concepts and theories to a far lesser extent in their answers. Other commonly discussed constraints were primary product dependency, corruption and human capital/population issues.

Question 3(a)

Candidates tended to produce good responses to this question, and were able to show a good knowledge of the components of the current account of the balance of payments and the meaning of a current account surplus. The reference to China proved to be helpful, as many candidates had knowledge of possible reasons for its surplus in particular and were therefore able to show good levels of both application and analysis in explaining these.

Most answers focused on the trade in goods and services components of the current account, as might be expected, and were able to explain reasons for the strong price and non-price competitiveness of a country's exports that would tend to lead to a trade surplus. In the context of China in particular, students were able to explain the role of the exchange rate, and perhaps currency manipulation or competitive devaluations, to good effect.

Evaluation was less well done, however. Very few candidates were able to suggest that there might be different causes for different countries' current account surpluses (perhaps considering the different components of the current account), or to prioritise their various explanations with reasons. Evaluation is really a key skill that candidates must show in order to meet the level descriptor for a Level 4 or 5 response.

Question 3(b)

Question 3(b) was less well answered that question 3(a), despite the freedom that the markscheme gave candidates in how they chose to approach answering such a question. Given that it was such a broad question, examiners were looking for candidates to recognise this in their responses, for example by considering the significance of both current account deficits and surpluses, ideally to both the countries running these, and to their trade partners, or other economies. Candidates must be aware that when a question asks about the 'global economy', an answer focused on one country, or a number of very similar economies, is highly unlikely to achieve a high Level.

Candidates should also try to ensure that their analysis of different countries is adding to the level of knowledge, anaylsis and evaluation that they are showing. For example, if a candidate has explained and analysed in depth how a current account surplus may lead to economic growth in an economy, there would be relatively little added in terms of knowledge and analysis of economic concepts and theories by then explaining and analysing how a current account deficit may depress economic growth in an economy. While this would certainly be worth mentioning, and explaining in so far as the mechanisms differ, too many candidates wrote about both of these in great detail, doing little more in the second half of their answer than simply reversing the argument they had already presented.

Most candidates referred to China and the USA in their responses which allowed them to apply their knowledge to these countries, and which was pleasing. Conversely, candidates did tend to struggle to adequately evaluate their arguments.

SECTION B

Question 4(a)

This question was generally well answered, with a mean score of around 3/4 marks. Candidates tended to show a good understanding of at least one role of the WTO and were able to make use of the Extract in a meaningful way. Examiners were looking for two separate pieces of data reference, and only giving one was the main reason why candidates did not secure full marks.

Question 4(b)

This question was surprisingly poorly answered, given that a good proporation of the marks could be earned by simply identifying two relevant pieces of evidence from the data and supporting this with explicit reference to the sources.

Most candidates were able to identify one valid piece of evidence and to refer to the data to support this, but could not provide any further analysis, or identify a second, relevant piece of evidence. Stronger candidates were able to identify two factors, but still struggled to pick up all (or any) of the analysis marks for linking this piece of evidence to the reversal of globalisation.

As with Section A, a number of candidates misread or misunderstood the question and focused their responses on evidence to support the view that globalisation was increasingly occuring, rather than that it had been reversed.

Candidates do now seem to appreciate to a greater extent that they do not need to evaluate their responses to 'analyse' questions.

Question 4(c)

This question was also not very well answered by a majority of students, as candidates struggled to include sufficiently detailed explanations of the effects of falling FDI to earn then a Level 2 or 3 mark for their knowledge, application and analysis, and evaluation was similarly lacking.

By contrast, this question did function as a fairly good discriminator, as the most able candidates were able to identify and explain in detail a range of effects (in particular going beyond the possible negative implications for growth and employment in countries that had previously received much inward FDI). They were also able to effectively evaluate their responses, for example by considering the extent to which domestic firms would make up for the fall in inward FDI in such countries, and how this reduction in competition might even help domestic firms to flourish.

Even the best candidates made little use of the data provided, for example by considering the magnitude of the fall in FDI inflows as shown in Figure 2. Candidates would do well to remember that in data response questions, relevant lines of argument are often suggested to them in the data provided.

Question 4(d)

This was generally a poorly scoring question, as many candidates failed to answer the question set. As with questions 4(b) and 4(c) above, this question could not be fully or meaningfully answered without reference to the data provided, and many candidates failed to appreciate this and tried to write answers solely from their own knowledge.

Those who did try to make reference to the data often struggled to select the relevant sections, or, if they did, were able to offer limited analysis of the evidence. This suggests that more practice in reading and understanding the kind of extracts found in data response questions would be beneficial, as would practice in how to integrate application with candidates' own analysis to make a complete and well explained argument.

Question 5(a)

Candidates did tend to struggle to provide sufficiently accurate and meaningful definitions of both 'government capital expenditure' and 'transfer payments', in particular the latter. We did not award a mark for candidates defining government capital expenditure as 'government spending on capital goods' given the high level of repetition in this response.

If a candidate wrote that government capital expenditure was spending on 'infrastructure', this was given an application mark, rather than a knowledge mark. Similarly, if a candidate wrote that transfer payments were spending on 'welfare-related payments' or 'pension costs', this was awarded an application, rather than a knowledge mark.

Question 5(b)

This question discriminated well between lower and higher ability candidates, as almost all candidates were able to identify one reason for a change in the pattern of public expenditure (usually the ageing population), and explain it to some extent, but stronger candidates could fully analyse two different reasons for the change. Similarly, most candidates were able to include at least one piece of relevant data reference in their answers, with stronger candidates gaining the two available application marks.

Some candidates were confused as to the meaning of 'public expenditure' and thought that this meant spending by the public, i.e. consumers, rather than the government. Some candidates also lost focus in their answers by writing about changes in tax rates, rather than government spending. While this might help to explain changes in the Japanese Government's budget balance, it was not answering the question set, and so was not rewarded with any marks unless explicitly linked to reasons for changes in the pattern of government spending.

Question 5(c)

This question was well answered on the whole, and provided candidates with a very good opportunity to show their knowledge. Weaker candidates were able to explain the effect of an increase in the rate of VAT on consumption in the Japanese economy, middle-ability candidates could then use AD/AS analysis to explain the likely effect of this on the economy's growth rate, unemployment rate etc., while the strongest candidates were able to bring in additional knowledge of Unit 4 content in terms of, for example, the possible effect on income inequality due to VAT being a regressive tax.

Similarly the vast majority of candidates were able to attempt some evaluation of their arguments, with the most successful using evidence from the data provided to support their points.

A number of candidates did incorrectly think that the Japanese Government charged VAT on its exports and not on imports into Japan, and so drew invalid conclusions about the effect of this rate rise on the international competitiveness of Japanese goods and services and hence on Japan's trade balance. This would be a useful area to go over with students.

Finally, some of the weakest candidates gave a solely microeconomics-focused response, using supply and demand analysis to explain the likely impact of an increase in the rate of VAT on the price of individual goods and services and hence on individual firms etc. While there was some merit in such analysis it was unlikely to score highly.

Question 5(d)

This question was answered fairly well, with candidates on the whole showing a good understanding of the workings of monetary policy, particularly in terms of quantitative easing. It was also pleasing to see that the vast majority of candidates were able to apply their understanding to the particular case of the Japanese Government's macroeconomic objectives as stated in Extract 1, rather than writing about the general set of macroeconomic objectives that are covered in Unit 2. This meant that application was, on the whole, very well done.

Most candidates were able to provide clear explanations of how expansionary monetary policies would help the Japanese Government to reach their objectives concerning inflation and growth, and made good use of AS/AD analysis as part of this. Fewer candidates were able to go on to consider how such policies might (albeit indirectly) lead to an improvement in the Government's budget balance, and indeed several boldly asserted that they would have no effect at all on this, as only fiscal policies affected such variables.

The use of bold text for 'monetary' did seem to be effective on the whole, and relatively few candidates wrote about the fiscal (or supply-side) policies also mentioned in the extract. Many candidates were also able to effectively evaluate their responses, often referring to the possible impacts of the other policies the government was enacting at the same time (such as the increase in the rate of VAT) and discussing to what extent these might cancel each other out, for example in terms of promoting potential economic growth.

Conclusion

- Candidates must read the questions carefully, and make sure that they have addressed all parts of a question in their response. In a number of different questions on this paper, misreading or misinterpreting the question was the biggest reason for low scores.
- Application is a key assessment objective, and a skill that candidates should aim to show throughout their responses, even when a question does not explicitly ask for it. Particularly in response to the essay questions in Section A, reference to particular countries and examples would help to improve the quality of responses and allow candidates to add depth and breadth to their points.
- Evaluation is the highest level assessment objective and on this paper in particular the ability to evaluate was the key discriminator between weaker and stronger responses, indeed in many cases, candidates did not even attempt any evaluation which immediately constrained their scores on the questions that required this.
- The 8 mark data response questions have a set structure and way in which marks are awarded (2 knowledge marks for identifying two relevant points, 2 application marks for two relevant pieces of data reference - one to support each point made, up to 4 analysis marks for candidates using their own knowledge to explain the two points). Candidates would benefit from being familiar with this, and making sure that they understand the need to make two separate points and to include data reference and analysis within their explanation of each point.

Grade Boundaries

Grade boundaries for this, and all other papers, can be found on the website on this link:
http://www.edexcel.com/iwantto/Pages/grade-boundaries.aspx