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# **Examiners' Report**

## Principal Examiner Feedback

January 2017

Pearson Edexcel International A Level  
In Economics Unit 1: Markets in Action (WEC01)

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January 2017

Publications Code WEC01\_01\_1701\_ER

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## Introduction

There has been significant growth in the number of centres and therefore students entering for the January series on all units of the International AS Level and International A level. Unit 1 has seen a substantial increase in entries. The performance on the multiple choice section was in line with previous January series. The Data Response section saw improvement in overall performance compared to previous January series. To a large extent improvement was due to better performance on the 10 and 14 mark questions.

Overall, the paper was accessible for most candidates with learners typically being able to achieve marks on each question. In the supported multiple choice section candidates were usually able to pick up at least a couple of marks for either definitions/ explanations or identifying the correct key with some explanation. There were less questions where students were unable to access marks. There were still a small number of examples where students leave the answer box blank. Putting a letter in the box at least gives you the chance of scoring.

On the data response section question 9 was marginally more popular than question 10. Approximately 60% of candidates attempted question 9 and 40% question 10. Candidates did similarly well on question 9 and 10.

Diagrammatic analysis from the better candidates achieving the higher grades was accurate and was integrated with their written analysis. So they would not only draw the diagram accurately but talk about what they learn from it in their written explanation. This enabled them to consistently achieve within the top level.

There were a significant number of superior responses which scored very high marks, particularly in the supported choice section of the paper and the 6 and 4 mark questions on the data response. A greater number of candidates also performed well on the 10 mark questions as more attempted evaluation. The 14 mark parts on question 9 and 10 seemed better formed with more attempting evaluation points and developing analysis.

Most candidates were able to complete the paper in the time available though some struggled to develop their answers for questions requiring evaluation. It seems some were running low on time. Some students continue to spend a disproportionate time on the supported multiple choice section and score well on this section but they forgo the time to complete the data response and often the marks achieved on the latter section suffer.

However, it was much rarer to see unfinished or brief responses as time management clearly seems to be improving. It is important that candidates practise the unit 1 papers under timed conditions to strengthen exam skills. The performance on individual questions is considered in the next section of the report. The feedback on questions shows how questions were well answered and also on how to improve further.

## **Supported Multiple Choice**

Most candidates found this method of testing accessible. The mean score for the supported multiple choice questions was similar to the previous January. Those candidates achieving the top grade were able to use relevant diagrams to support their answers and the written responses were able to define effectively and explain the correct key.

The key way all candidates at every grade were able to access marks was being able to define the main concept(s) in the question (awarded 1 or 2 marks).

Those that went on to apply appropriate economic theory and analysis (usually awarded up to 2 marks) were those able to achieve the higher grades.

It is possible to achieve the full 3 marks for the explanation marks even when an incorrect option is selected. It was very rare this season to find a box not complete and very rare was the letter in the box different to the answer being justified.

Some candidates gained marks by using the rejection technique. Up to 3 marks are available for successfully eliminating 3 incorrect options (provided that three separate reasons are offered). To achieve rejection marks it requires candidates to explicitly state the option key being rejected and then to offer an appropriate explanation as to why it is wrong.

Unfortunately, some candidates failed to identify the incorrect option key and so the examiner may not be aware that the rejection technique is being offered. A significant number were using the rejection mark to achieve their last mark on these questions. When rejecting it is important that candidates explain why it is not the correct answer.

The mark scheme offers guidance on how to reject incorrect options. Note it is perfectly acceptable to use a combination of techniques for securing the 3 marks for explaining the answer, for example, explaining the correct answer, diagrammatic analysis and eliminating one or more incorrect answers.

On the multiple choice section, candidates in established centres are clearly rejecting the key. They are explicitly saying "D is incorrect because..." With the growth in the entry a number of new centres are joining and it is important that students clearly identify the key they are rejecting in their answer. Many candidates in new centres attempted rejection but it is more difficult to clearly see what key they are rejecting so I urge centres to advise their candidates to clearly identify the key and then explain why it is not the correct answer.

## **Section B: data response questions**

The data response questions have a substantial weighting for evaluation marks (16 out of 48 marks). Consequently, it is vital that candidates make evaluative comments when required by the question. The 14 mark question comprises 6 evaluation marks and a 10 mark question comprises 4 evaluation marks. To achieve the higher levels they will need to not only

identify evaluative points but develop them to explain their point. To reach level 3 these points must be less generic and in the context of the question. There was a significant improvement in the numbers evaluating.

Question 9 (Oil market) was a little more popular choice with most candidates selecting this, compared to Question 10 (Sugar market). A mean scores were slightly improve on previous series and similar for Question 9 than Question 10.

## **Question Level feedback**

### **Supported Multiple Choice**

#### **Question 1**

The question tested students understanding of private goods. The vast majority of candidates did recognise this and were able to define private goods as part of their answer as goods that experience both rivalry and excludability. Candidates tended to explain the concept of excludability and how private goods can be excluded commonly because of the inability to afford the price charged. The best responses tended to give an example of a good and explain how the consumer can exclude others. For example, with a car you can lock it and you can put a fence around your house to keep people out.

It was rare for students on this question to successfully reject as they would often just say A is incorrect as this is a feature of public goods. This was not good enough as they needed to explain why public goods are non-rival or why private goods are rival. Similarly in rejecting D just saying D is incorrect as public goods experience the free rider problem was insufficient. Students needed to demonstrate an understanding of was what the free rider problem and why it was a problem.

Unfortunately a number of candidates answered a different question and looked for a statement about public goods so struggled to pick up any marks.

Overall the question was well answered.

#### **Question 2**

The question was a challenge for many students. Many could define government failure accurately. The specification clearly has excessive administrative costs under the heading government failure and students failed to make the connection of D to government failure so struggled to pick up this mark.

Many failed to achieve rejection marks as they would often just say is A is incorrect as this is market failure. To achieve this mark they needed to explain why it was a market failure. For example, in the pension market consumers have inferior information to the providers and often end up under investing in their pension.

The best responses did explain how excessive administrative costs led to a larger welfare loss. These responses were often in the context of enforcing environmental policies with some linking to tradeable permit schemes or environmental taxation. This is certainly an area of the specification that needs additional work as the question performed less well.

### Question 3

The question tested candidates ability to look at the impact of a decline in population in Japan on its production possibility frontier (PPF). Most candidate were able to identify the correct key which showed the PPF shifting inwards with points X and Y both being on the PPF. Students defined PPF accurately. Many students also identified that efficient means they operate on the PPF. It was common for learners to reject A by saying that this would be caused by a population increase and rejected D as it shows a economy moving from being efficient to being inefficient whereas the stem explains that are efficient at both points. Again it is important candidate explicitly reject the key and explain why it is wrong. A number just said that A was wrong as the movement shows economic growth but they were not explaining why this would not happen when population fell.

### Question 4

The question looked at the impact of the removal of a subsidy. In answering the question most were able to define a subsidy accurately by referring the cash grant paid to encourage production or consumption. Candidates were able to explain that costs rise for the next mark. Next candidates tended to identify that the subsidy was paid was  $P_e P_2 XZ$  when the subsidy existed and that this would now be saved by the government.

Rejection marks were commonly achieved. In rejecting B they either explained that the area referred to was old producer surplus or identified the area of the new producer surplus on the diagram. Many rejected B by saying that the price changes to  $P_1$  and not  $P_2$ .

Rejection of D often explained that the quantity was  $Q_e$  and is now  $Q_1$ . Where students struggled they looked at the introduction rather than removal of the subsidy. Others incorrectly identified that the price would rise to  $P_2$  and not  $P_1$ .

### Question 5

Candidates had to look at how training schemes would affect the occupational mobility of labour. Most defined occupational immobility of labour by explaining that workers were unable to move between occupations. The majority explained how the training scheme would improve the skills required enabling workers to more easily move between different occupations as they will be more employable. It was pleasing that only a few confused occupational immobility with geographical immobility.

Where confusion existed was in saying that more skilled labour would see demand for labour fall often by saying that it would be because they would cost more.

### Question 6

This question looked at what would increase producer surplus. Many correctly identified that the advertising campaign would do this. Many were able to define producer surplus. The best students then drew a diagram showing demand shifting rightwards. The next marks were achieved through labelling the previous and new producer surpluses.

Pleasingly it was rare for students to label the consumer surplus as producer surplus.

Rejection marks were often achieved. To achieve this mark it is important to make the link between the change to how it affects the demand for cows' milk and producer surplus.

### **Question 7**

Myanmar introduced a minimum wage and the question looked at the impact of this. Most correctly identified the correct key. They were able to define minimum wage. Candidates were advised to draw a diagram and those that did performed well. Too many labelled price rather than wages and lost credit here. The minimum wage was normally placed above the equilibrium and marked on the unemployment or surplus of labour. Others looked at how the higher (minimum) wage would add to costs and how they would therefore demand less labour and that labour will be more willing to supply labour as work is more rewarding leading to a surplus of labour. Many rejected effectively with explanation offered as to why it is incorrect.

### **Question 8**

Buffer stock has consistently been challenging to candidates. Many could define the buffer stock and were able to explain why they were implemented. Many candidates were able to identify government revenue from selling soya beans. Some added the area MKL to the government revenue which was incorrect. Many confused that the government would buy rather than sell soya beans.

### **Data response**

Question 9 on the oil market was slightly more popular than Question 10 on the sugar market.

On both questions part a involved producing a supply and demand diagram and needed both supply and demand to be shifted. On both questions many only shifted one curve meaning they were unable to achieve full marks. It is important on these questions that you look for all factors that might shift either supply or demand.

### **Question 9a**

The majority of candidates shifted either supply or demand with it less common for them to correctly shift both supply and demand. Candidates often picked up a mark for identifying explicitly prices in June 2014 and a later date that shows the lower price. Many picked up that US oil production increased or that Saudi Arabia refusing to cut production. It was less common for students to pick up the demand factor with many picking out that more fuel efficient cars means less petrol and oil will be needed.

Diagrams often received marks for the original equilibrium and one shift but without shifting the other curve candidates cannot get the final equilibrium mark.

**Question 9b**

Students performed very well on this question and were able to define both renewable and non-renewable resources accurately. The vast majority then picked an example from the extract. A few candidates chose examples outside the extract and were not rewarded for this as they were asked to use examples from Figure 1.

**Question 9c**

Where students incorporated derived demand in to the response looking at the impact on employment of the fall in the price of oil they achieved very well. Most were able to explain that a decreased demand for oil would reduce demand for labour and lead to lower wages and employment. Many included a diagram and picked up marks for showing the correct changes. However it is important candidates are careful to label the axis wages and not price.

Evaluation was commonly offered with many picking up credit for referring to the 100 000 unemployed and linking to magnitude and many referred to the reluctance of employers to lay off workers as they are skilled and they will expect prices to rise again when demand recovers.

**Question 9d**

With more energy efficient trucks and cars the question looked at the economic effects with a focus on external costs. Most defined external costs. Many included a diagram showing external costs and those that showed the reduction in external costs did best. The best students were able to explain what third party effects fuel use has and how these would be reduced. Many also talked about the falling demand for fossil fuels and how this will reduce unemployment. Evaluation often focused on the magnitude of the improvement in fuel efficiency. Many also picked out the difficulty in measuring external costs or the time lag in that it will take time for improvements to occur. A number also picked up that older cars may offset any benefits of new fuel efficient cars.

**Question 9e**

The final part of question 9 looked at the likely effects of the increase in indirect tax on diesel and petrol in Australia. Many defined indirect tax and offered a diagram. The best diagrams also identified the incidence of the tax and the government revenue. The best responses also picked up on the information in the context on terms of what the money will be used to fund. Many explored the impact of the money spent on road building. Evaluation tended to consider magnitude and the size of the tax, Others looked at how additional roads could lead to pollution and external costs.



**Question 10a**

Many students included that the price fell 25% which was in the question and were not rewarded for this. Students did explicitly pick out prices from Figure 1 and were rewarded for this. It is also important to note that the dates are given as June 2014 and July 2015 so it makes sense to pick out the prices at these points. Most identified the bumper harvest as improving supply. Fewer picked out the switching to sucralose as meaning demand will fall. Diagrams typically picked up marks for the original equilibrium and shift in one of supply and demand. The other shift and final equilibrium were often omitted.

**Question 10b**

Candidates were normally able to define cross elasticity of demand. They could identify that sugar and sucralose were substitutes and say that this would mean the XED was positive. Many used the data to show that as the price of sucralose fell then the demand for sugar would fall.

**Question 10c**

This question discussed whether the supply of sugar would be price elastic or price inelastic. It was pleasing that it was very rare for students to confuse the PES with the PED. Many defined PES or define price elastic or price inelastic. There was effective use of the data. Many picked up the time it takes to grow sugar to identify as inelastic. Other picked out the stockpile to identify as elastic.

**Question 10d**

The question required students to look at the likely impact of a reduction in the price of sugar on food manufacturers. Students were asked to draw a diagram and those that did not do this struggled to access the higher level. Many could identify how this would lower production costs and were able to show the impact on supply, price and quantity. Better performance was achieved where they looked at revenue, profit, producer and consumer surplus. Much evaluation focused on the magnitude of the sugar price changes the fact other costs may be more significant and proportion of total costs that are sugar.

**Question 10e**

Candidates attempting this question discussed the impact of consuming more sugar with a focus on external costs. Most defined external costs and identified from the context the increases in consumption. Most were able to identify health issues and the best linked this to the impact on third parties. In terms of evaluation many looked at magnitude issues linked to the changes in sugar consumption. Many looked at the fact much of the effect would be long term.

Based on their performance on this paper, candidates are offered the following advice:

### **Section A: supported multiple choice**

- Define accurately the key economic term(s) used in each question.
- Be prepared to annotate the diagrams presented in the questions.
- Be prepared to draw diagrams when relevant to the question and make sure these are properly labelled and explained in the text.
- When drawing diagrams for the labour market ensure that these include wages and not prices on the axis.
- Always refer to the information provided, for example give the exact figures for elasticity.
- Clearly reject responses by including the ley being rejected in the response.
- Where rejecting market failures it is important that you explain why they are market failures and not government failures.
- Make sure 'value is added' to answers which use the rejection method. Do not simply state that a particular option is incorrect without explaining why this is the case.

### **Section B: data response**

- Focus on developing economic analysis in the high mark base questions. Quite often candidates moved from definitions and a brief explanation of an economic issue straight into evaluation. This was evident in 14 mark questions. Economic analysis typically involves explaining the sequence of events leading up to a particular outcome. By giving a chain of reasoning they are able to demonstrate they understand the economics to access these analysis marks.
- Where candidates are asked to refer to a concept in a question it is important they do not just define it but attempt to use it to analyse and evaluate.
- Where diagrams are requested these should be drawn as they will be well rewarded- do be careful with the accuracy of these.
- As indicated above labour market diagrams must focus on the labour market in terms of employment and wages
- Candidates need to consider the mark allocations where 14 marks are available 6 marks will be for evaluation and students should be encouraged to develop two in detail or offer 3 with some development. Similarly a 10 marker will normally require 2 evaluation points for 4 marks.
- On questions that get students to explain why prices changed it is important that candidates check whether supply, demand or both change. On both the part a questions both needed shifting
- If asked to refer to examples from an extract focus on this extract and do not refer to examples from your own knowledge.
- Questions that identify the economic agents to consider need each to be discussed. Missing one off will limit performance so that it is difficult to achieve within the top mark band.
- When looking at fuel efficient cars and considering external costs it is important to include on the diagram the idea that external costs are falling and to shift the appropriate curve. This was rarely done. Otherwise remembering to include labelling of the market equilibrium, social optimum will better enable candidates to achieve a higher level.

- Do not focus on macroeconomic issues. Focus on the impact on markets. For example better to say employment in the oil industry will fall rather than generically unemployment will rise.

