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Pearson Edexcel International Advanced Level
In Economics (WEC14)
Paper 4: Developments in the global economy

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Introduction

This is the first series for the assessment of WEC14 Developments in the global economy. Changes have been made to the specification, the assessment criteria and the structure of the examination paper. Given these factors, overall level of student performance is encouraging. The examination seeks to test students' abilities to select and apply several appropriate economic concepts, theories and techniques in a variety of contexts. As Unit 4 is a synoptic unit, the examination may draw on material from Units 1, 2 & 3.

In **Section A**, the multiple-choice section, students performed best on comparative advantage and international competitiveness (1 and 3 respectively). The two questions with the focus on tariffs and exchange rate were the least well answered questions in this section (4 and 5 respectively) and this part of the specification may need attention by centres. On the remaining two questions, students performed marginally better.

In **Section B**, the data response section, questions are based on information provided in the source booklet. Unlike the legacy unit (WEC04/01), there is no choice of question.

Q7a, students could access one mark by displaying knowledge of how to calculate the percentage change. Most students scored two marks for the correct calculation.

Q7b, most students were able to analyse two economic benefits of the growth in number of tourists to Mauritius. However, a small percentage of students mentioned only one benefit with limited development.

Application marks were frequently awarded for appropriate references to the extract and Figure 1. Some students evaluated their analysis points, but this was not credited as this is not a requirement of the question.

Q7c, this question required an explanation of a 'reduction in the fiscal deficit'. Relevant piece of data for each public expenditure and tax revenues was required to attain the 2 application marks. Many just defined fiscal deficit and they were able to access 1 mark.

Q7d, a vast majority of students were able to examine two likely effects on Mauritius' economy of the reduction in the base interest rate from 4% to 3.5%. A small proportion explained their arguments using an accurately labelled diagram. Two application marks were frequently awarded for relevant use of Extract A. However, several students mentioned it was a 0.5% fall and not a 0.5 percentage point fall and could not access this application mark. This is an area which all the centres are advised to address. Sound responses also accessed evaluation marks by briefly considering why a fall in the base interest rate may not have the desired impact.

Q7e, most students made effective use of Extract B and were able to discuss measures that the Government can implement to ensure that private sector continues to grow. A low proportion of students developed their analysis with clear chains of reasoning to achieve at least Level 3 KAA (Knowledge, Application and Analysis) marks. A common feature in responses was to try to cover as many measures as possible but without any real development in the analysis. As this is a data response question, the students are required to examine the measures that have been given in the extract.

A significant change in the new form of assessment for WEC14 is that 7e has 6 marks out of 14 available for evaluation. In order for students to access higher level evaluation marks, they need to develop a chain of reasoning in their evaluative comments.

In **Section C**, students have the opportunity to choose two out of three questions. The section was more demanding than previously, and this is reflected in the mean scores on all three questions. Question 9 was most popular followed by question 10 and then 8.

In all three questions students' knowledge of relevant economic concepts was sound but they often struggled to apply it to the context of the question. Another challenge was the level of analysis. As in question 7e, answers often lacked a fully developed chain of reasoning. This is because they focussed their explanations on several points, and this meant they did not have time to develop them. Some students drew appropriate and accurate diagram(s) and incorporated it with sound analysis. This facilitated them in consistently achieving within the top levels.

Evaluative comments were often made and, whilst some offered supporting evidence and were linked to the context, many were unable to offer logical chain of reasoning. It should be stated that 8 marks are now awarded for evaluation in the essay section. A reference to a country will always form part of the questions in Section C. Students are expected to have an awareness of countries to form a basis of their arguments and to achieve the highest levels.

The questions were accessible at all levels and provided good opportunities for students to differentiate by ability. Answering the exact question asked, integrating data with analysis and strong evaluation continue to remain the essential ways that the A-grade students achieve higher marks. It appears that most students were able to complete the paper in the time available.

Moreover, students are also highly encouraged to have better structure to their answers. Many have written essay questions in bullet points and some have written in long blocks/ paragraphs without making a clear distinction between analysis and evaluation. This was also seen in the higher mark question in Section B.

The performance on individual questions is considered in the next section of the report.

Section A

Question 1:

This question concerned the significance of specialisation and trade for a country in the sector in which it has a comparative advantage. This was the best answered question of this section with almost every student scoring full marks. The correct answer is A as this is an increase in world output.

Question 2:

For this question students needed to analyse the given Lorenz curve. Country A has lower income inequality than country B as its Lorenz curve lies closer to line of complete equality. The correct answer is D.

Question 3:

Students tended to perform extremely well on this question on a measure to increase Finland's international competitiveness. The correct is C. The other given options would reduce the country's international competitiveness.

Question 4:

Not many students correctly identified that the UK's exchange rate depreciated as the external value of the pound sterling fell. The correct option is C. Options A and B are concerned with a fixed exchange rate.

Question 5:

The correct answer is A. Many students were unable to correctly deduce the area of tax revenue from the graph. Producer surplus increases and consumer surplus decreases as a result of the imposition of a tariff. This was the weakest amongst all the multiple-choice questions.

Question 6:

For this question students needed to calculate an index number using the given data on GDP per capita. The correct answer is B. The 3 alternative options do not apply the right figures from the table to arrive at the correct answer.

Section B

The source booklet focused on the economy of Mauritius. It comprised two graphs: one showing number of tourist arrivals in the country and the other showing the country's annual inflation rate as measured by the Consumer Price Index - both between 2012 and 2017. There were two extracts - an extract on economic growth and an extract on the private sector of Mauritius.

Question 7(a):

Students needed to calculate the percentage change in number of tourists between 2012 and 2017. Although 70% of total students scored the maximum of 2 marks this still indicates that 30% were not able to calculate a percentage change correctly. It is important to use the data carefully for calculation-based questions.

Question 7(b):

This question required students to analyse two economic benefits of the growth in the number of tourists to Mauritius. Most common responses included economic growth and increased tax revenues with linked development. They were also able to access the two application marks by using relevant data from Figure 1 and first paragraph of Extract A. However, some students only mentioned one benefit and it is advised that they read the requirements of the question carefully.

Question 7(c):

Many students were not able to successfully explain a reduction in fiscal deficit. A common response was to define fiscal deficit. A few took it beyond this to explain what a reduction means. To access both the application marks, students had to include one data on public expenditure and one on tax revenues. Some students only included one or the other, and not both. Given the nature of the question, it is important to cover all aspects of the answer in knowledge and application.

Question 7(d):

Although not required, many students successfully integrated an AD diagram in their analysis to explain the impact of a reduction in the base interest rate. This also gave them an application mark. Most common responses included knowledge on consumption and investment increasing with linked development in reference to the transmission mechanism. Majority of students were not able to access the second application mark as they mentioned that a reduction in base interest rate from 4% to 3.5% was a 0.5% fall and not a 0.5 percentage point fall. This is a key aspect of the new specification which requires students to calculate, use and understand percentages, percentage changes and percentage point changes. Centres should pay close attention to the list of QS (quantitative skills).

Evaluation was mostly well written with most writing one point and explaining it well. There were some students that did not make an attempt of writing any points. For 8-mark questions and above, evaluation is a key requirement and should be included.

Question 7(e):

Students needed to use the source material to discuss measures that the Government can implement to ensure that the private sector continues to grow. It is important that students select two or three measures and develop their analysis by focusing on those points rather than trying to cover as many measures as possible, some of which are not in the source provided. This will allow students to access the higher levels of response.

A handful of students were able to successfully identify and explain measures such as improving infrastructure and education and training programmes. They were able to integrate this with the application given in the source from Extract B. This gave them access to Level 3. However, many students just copied the source and did not explain their points. This gave them access to Level 1 only.

Evaluation points made were sound. They included reference to opportunity costs, along with public sector debt. Many included time lags as an evaluative comment but were not able to successfully support this point using a logical chain of reasoning. The students should ensure that they do this as opposed to listing a number of separate undeveloped points.

Section C

General points:

Students often make a number of valid separate points but do not develop a coherent chain of reasoning. In addition, a large number of students do not include any form of contextual reference and consequently will not achieve more than a Level 2 KAA mark. Context can be from the stem provided in the question and/or from other examples used effectively by the student. A reminder that writing a country name in the answer does not warrant an application.

For evaluation, students should provide a partially developed chain of reasoning to attain at least Level 2. Writing a list of points will only give students access to Level 1. An informed judgement is needed in order to gain a Level 3 evaluation mark.

Unlike the previous paper (WEC04), students are not expected to write four analysis and three evaluation points. They can select two or three analysis points and develop them by focusing on those points rather than trying to cover as many points as possible.

Question 8:

This question asked students to evaluate the extent to which an increase in national debt is a cause for concern. In addition, to access high Level 4 for KAA, students are required to refer to a developed country of their choice in their answer.

Most were able to identify reasons why national debt is a cause for concern. The most common points being that it represents an opportunity cost to future generations, that it would lead to loss of confidence in the country's currency and could result in a fall in its credit rating that would reduce FDI (foreign direct investment). Most of the answers only carried a two-stage chain of reasoning, and therefore, they were not able to access Level 3 KAA. Those who identified a range of reasons without any linked development were only able to access Level 1 KAA.

Common evaluation comments included size of the national debt in question and how it can be financed. Many included that if the national debt was due to the government increasing its borrowing for spending on human capital or infrastructure developments, that would only help the country in the long-term. Those who wrote a list of evaluation points achieved Level 1.

Question 9:

This question asked the students to evaluate the likely macroeconomic effects of the introduction of an indirect tax. In addition, to access high Level 4 for KAA, students are required to refer to a developing country of their choice in their answer.

Most were able to identify and explain the macroeconomic effects. The most common points being that it reduces real income and therefore consumption and AD, that it would lead to greater tax revenues for the government and could result in worsening of income inequality due to the regressive nature of the tax. Some answers carried a two-stage chain of reasoning without application to key terminology and concepts, and therefore, students were not able to access Level 3 KAA. Those who mentioned microeconomic effects or impact of direct taxes did not attain any marks.

Students struggled to evaluate effectively. The most common comment mentioned was the size of the indirect tax introduced, which some could explain in good depth in comparison to neighbouring countries. Rest of the points were quite generic and did not achieve more than Level 1.

Question 10:

This question asked the students to Evaluate the possible causes of a current account deficit. In addition, to access high Level 4 for KAA, students are required to refer to a country of their choice in their answer.

The most common causes mentioned were linked to a stronger exchange rate, low productivity/high level of inflation and high marginal propensity to import. Most answers demonstrated chains of reasoning in terms of cause, but they were not developed fully or had some stages omitted. These students were able to access just Level 3 KAA. Those who mentioned consequences of current account deficit or causes of fiscal deficit did not attain any marks.

Evaluative comments were not always well written. Many offered a range of solutions to reduce the current account deficit and this was not credited with any marks as it is not answering the question. The most frequent argument mentioned was the productivity/inflation in relation to its main trading partners, which some could explain in good depth. Rest of their points were again quite generic and did not have any chains of reasoning and did not achieve more than Level 1.

Paper Summary

The main implications for centres regarding future teaching, learning and examination preparation are:

- Ensure that all parts of the specification are taught and internally assessed. This needs to include addressing all the quantitative skills (as found on page 69 of the specification).
- Students must read all the questions carefully, and make sure that they have addressed all parts of a question in their response. In a few different questions on this paper, not understanding requirements of the questions, in terms of its depth and breadth, was the main reason for low scores.
- Encourage students to draw accurate, appropriate, legible and labelled diagrams to support their arguments, even if not required. This would help add depth to arguments.
- Section B: Ensure that students refer to the relevant extracts but do not copy from them. Brief quotations are acceptable but, in themselves, will not achieve higher level marks. Remember that the 4- and 6-mark questions do not require evaluation, so please use the time given effectively and avoid assessing the analysis points made.
- Section B 14-mark question and Section C essays: Encourage students to develop a chain of reasoning by analysing two or three relevant points in depth. By contrast, covering a lot of points in a superficial way will limit the mark to a low Level 2 at best. In addition, analysis needs to be contextualised by using relevant source information (Section B), appropriate examples (Sections B and C) or context at the start of Section C questions.

In addition, ensure that students are aware that evaluative comments should be linked to the context of the question being asked. These should have a chain of reasoning or sufficient development to be able to achieve at least Level 2. To achieve Level 3 for evaluation in Section C it is necessary to include an informed judgement.

- Students are encouraged to have a clear structure to their answers. They must avoid writing essays in bullet points or in long blocks/paragraphs without making a distinction between their analysis and evaluation points.
- To encourage students to make full use of the specimen papers, previous examination papers, mark schemes and principal examiner reports.

