**General Certificate of Education (A-level)
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Economics   **ECON4**

(Specification 2140)

Unit 4: The National and International Economy

Report on the Examination

Unit 4: The National and International Economy (ECON4)

General

The additional time now available to students continues to pay dividends as the number of very poor scripts continues to decline. Examiners read some very impressive scripts, displaying a command of the subject and strong evidence of the various skills we hope to see at this level. It is always a great pity, however, when varying degrees of illegibility of handwriting adversely affect the total mark that can be awarded for a script. While the problem seems to be in decline, it is still in evidence. On occasion, parts of a script can simply be impossible to decipher if the handwriting is particularly poor. Whilst teachers should be assured that every effort is made in such instances to do the best for the student, centres should still take note of what is referred to as Quality of Written Communication, of which handwriting is just a part. In a few cases, it became obvious that the students would have much benefited from use of a word-processor. The longer duration of recent papers has meant that there are far fewer examples of scripts left unfinished because time has run out.

Given the longer duration, students obviously feel more able to develop answers in order to allow stronger representation of the higher-level skills where these are applicable.
The fact that A2 question papers are now 2 hours in duration should encourage students to spend a little more time considering their choice of question before putting pen to paper. This is applicable to both the Context and Essay sections. It may be that choices made would have been different, and to the ultimate benefit of the student, if the first few minutes of the examination were spent in this way. This advice is also relevant to another problem amongst a minority of students: misreading the question set, causing the student to never quite respond in the way required. This was most noticeable in part 06, which required students to assess the impact on the UK economy of increased government borrowing by EU governments. The issue of increased borrowing in the EU was addressed but some students failed to consider the impact on the UK economy.

Students seemed to find no problem with accessibility of the question paper although, as is usually the case, some questions proved significantly more popular than others. Context 1 and Essay 3 stand out in this respect. It was pleasing to see a question on exchange rates so popular and often so well answered, when traditionally essay questions of this type are cast aside.

Context Questions

It is worth reiterating that centres should not feel that they have to go beyond the specification in order to prepare students adequately for the context questions. Nonetheless, in preparing students, the emphasis should always be on how global and EU issues impact on the UK economy or some aspect of it. There is an assumption that students will not have a detailed knowledge of any other economy. Information on other economies will be included in the extracts if that is thought necessary.

Context 1 - The Global Context

This proved to be the more popular of the context questions.

Questions 01 and 04

Students are now much more familiar with the requirements of this question (and of 04). Trawling through the data in a vague or descriptive way is far less common and students are more likely to confine themselves to two significant points. There is also a greater awareness of what 'significant' means. For consumer price inflation, for example, comparing the country with the lowest inflation figure (UK) to the country with the biggest inflation problem (Ghana) would be one example. Students needed to make sure that the appropriate unit was quoted (in this case, %) and that, for Real GDP and Real GDP per

capita, they did refer to growth (or change) in these measures. For the majority of students, full marks were awarded.

Question 02

Many students were able to score full marks for this question. Students seem to be very confident with economic growth. In preparing students for this type of question, advice on how the time should be distributed between the two parts of the question (explanation and analysis) is worth providing. The explanation will invariably be worth a maximum of 4 out of the 10 marks available for the whole answer. In practice, students may well earn more than 10 marks but will obviously be constrained to 10. While many have got the distribution of time between the two parts just about right, there are those who spend too long on explaining the concept in the first part and earn well beyond the 4 marks available (but, alas, constrained to 4). It would also have been good to see more students **clearly** identify two causes of growth, perhaps by leaving a line between each cause analysed. Equally, students should be advised against writing a mini-essay on a topic, in this case the causes of growth. For students guilty of this, the two causes analysed most strongly will be credited.

Question 03

For both Questions 03 and 06, when responding to data students must be encouraged to use the material in the extracts explicitly, ie quoting a line reference or quoting verbatim the actual words used. By not doing so, a Level 5 mark cannot be achieved. This is always quite tragic when the response includes some highly impressive analysis and evaluation which is undoubtedly of Level 5 quality. The best responses in Question 03 were those which identified the potential economic impact of sustained economic growth in the economies of Africa and then related these carefully to the consequent potential impact on UK living standards. Weaker responses tended to be those which lost sight of the central issue in the question (living standards) and confined their answer to economic growth, causing the reader to draw his/her own conclusions on what the impact might therefore be on living standards. Another weakness was to write almost exclusively of living standards in the economies of Africa, with the UK relegated to the sidelines.

Context 2 - The European Union Context

Given the attention paid to UK fiscal policy in the media of late, and to that of the EU more widely, it was surprising that this question was not more popular. For the most part, those who chose it seemed to have a reasonable awareness of the core issues and were often able to display knowledge of recent developments.

Question 04

While the majority of students did not seem to have difficulty in identifying significant features (such as the worsening fiscal position over the period), there was a sizeable minority who either did not understand the significance of +/- values or who simply did not think it necessary to refer explicitly to surplus/deficit in their answers. Examiners should expect to be able to see this degree of explicit understanding displayed in answers written by A2 students. Some of the comments made for Question 01 are, of course, also valid here.

Question 05

Although many students were able to use their AS knowledge of the multiplier with confidence, even quoting formulae used to measure its size (which is not a requirement in the specification), a significant number got into quite a muddle. The latter seemed to know

the essential principle underlying the concept but were unable to articulate this coherently and often limited their answers to stating that an injection, notably government spending, increased aggregate demand directly but without explaining the ensuing impact of the multiplier process. It often proved difficult for students to analyse the impact on unemployment separately from the impact on economic growth, which was reflected in the agreed mark scheme. For both this question and for Question 02, references to the UK and/or other economies were pleasing to see and such references are rewarded, as is the accurate use of diagrams.

Question 06

As mentioned earlier in this report, some students did not read this question carefully enough. In these cases, examiners were given a textbook approach to the pros and cons of an expansionary fiscal policy without a great deal of effort to place the answer into the EU context or to assess the impact of increased government borrowing by EU governments on the UK economy. However, for both Questions 03 and 06, there is certainly much stronger evidence of evaluation. Sometimes the conclusion or final judgement is weakened by repetition of what has gone before and efforts should be made to bring something new to that part of the answer. Additionally, care has to be taken that the evaluation develops from some sound analysis if a good mark is to be awarded.

Essay 1

Questions 07/08

It had been expected that this would be a more popular question than was in fact the case. Question 08 may have been the reason for the unpopularity. There were few problems found with Question 07. The strongest answers were those which recognised the significance of the wording: an economy moving from a period of prosperity to one of recession. Answers of this type took some of the features of the former period and explained why these might be contributory factors in an economy descending into recession. The majority of students, however, simply explained what caused a recession, which was often a reasonably successful response also.

In Question 08, it was hoped that students might identify what it is about supply-side reforms which might help an economy to avoid major recessions, such as increased flexibility in the economy or better quality of resources, helping to secure long-term growth. Such reforms could then be illustrated. Too few students went on to argue a possible role for demand management, which would obviously offer some excellent evaluation of what might have been written in the main body of the answer. The dismissal of the issue of demand-management in one or two lines at the end, or ignoring it altogether, was disappointing. At A2, it is not unreasonable to expect that students are able to distinguish supply-side factors from those on the demand-side, but this was sometimes not the case.

Essay 2

Questions 09/10

While it is commonly recognised that many students hope to see a question on inflation, this particular question was obviously not to the liking of the majority. The issue in Question 09 is never popular but centres need to recognise that it will be examined as regularly as any other aspect of inflation detailed in the specification. Many who attempted the question clearly lacked confidence in their knowledge and confined their (often short) answers to vague references to 'baskets' of goods and services, weights, and basic differences between RPI and CPI (often getting such differences the wrong way round).

For Question 10, students who made up their minds at the outset that there could really be no one correct answer to this question because of the number of variables, often offered the strongest performances. These analysed and evaluated key issues in both categories and recognised that different countries have had different experiences. This latter point made a final judgement more difficult in favour of inflation or deflation but then, of course, that was the very conclusion that the student could draw. Some excellent responses were seen, including those which distinguished benign deflation from malevolent deflation, but these were too few and far between. It still seems to be the case that students are far happier with the issue of inflation than they are with the issue of deflation.

Essay 3

Questions 11/12

Traditionally, questions on exchange rates and the balance of payments prove to be the least popular on any question paper. This was not the case here. There were some excellent responses, with even the weaker answers often able to earn a reasonable mark. It is a topic which encourages the use of diagrams and the mark scheme reflected this in the marks available for this aspect of answers.

For Question 11, students needed to identify specific factors, such as increased demand for exports and higher interest rates, and explain these in a coherent way. The mark scheme did cater for those who just adopted a general supply and demand approach but this approach could not earn the level of marks available to more detailed answers. Confusion persists on some aspects of exchange rates, notably the distinction between investment and 'hot-money' flows.

For Question 12, more students now recognise the importance of specifying the possible nature of macroeconomic consequences if this seems to be required, before putting them into the context of the question. There seemed to be no serious weaknesses identified except to say that students cannot devise their own question and expect to be well rewarded. Importantly here, a question on the consequences of a rise in the exchange rate cannot become a question on a fall in the exchange rate simply because the student is more confident with the latter. Overall, some pleasing analysis and evaluation were seen.

Concluding remarks

It is hoped that this report helps centres in their preparation of students for future examinations.

Students should be encouraged to:

- spend time in considering questions before making their choices and putting pen to paper;
- make sure that they have read questions carefully and understand precisely what each question is asking;
- divide their time reasonably equally between the two sections of the question paper (the advice on the front page is to spend 1 hour on each) and also allocate their time appropriately between the different part-questions;
- ensure that any diagram drawn is referred to in the surrounding text in order to emphasise its relevance, is correctly labelled in macroeconomic or microeconomic terms as the case may be, and is accurate in the information that the student wishes to impart;
- recognise the synoptic nature of the paper, both when preparing for the examination and in responding to questions (the question on the multiplier is a case in point);

- give due attention to the higher-level skills of analysis and evaluation where these are applicable;
- use as a key part of their preparations the abundance of material now available in the media and ensure that this is well represented in their responses to questions.

The quality of an increasing number of scripts is evidence that progress is being made in all these areas. It is to be hoped that such progress continues.

Mark Ranges and Award of Grades

Grade boundaries and cumulative percentage grades are available on the Results statistics page of the AQA Website.

UMS conversion calculator www.aqa.org.uk/umsconversion