



Examiners' Report Principal Examiner Feedback

October 2020

Pearson Edexcel GCE
In Economics B (9EB0)
Paper 2: Competing in the Global Economy

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Introduction

This was the fourth sitting of Economics B 9EB0_02 Advanced Paper 2: Competing in the global economy. The paper is split into three sections. Section A consists of five data extracts and then eight questions based upon these extracts. Section B consists of one data extract and one 20 mark essay question. Section C consists of two data extracts and one 20 mark question. Candidates have to answer all questions in the two hour time period.

As in the first three sittings and with a relatively low number of candidates, there was a wide variation in performance on the paper, both within the sections and across the paper as a whole. There were clearly some candidates who had been able to thoroughly prepare for the examination, completing the sample assessment materials, past papers and engaging with the specific conceptual and theoretical demands of the specification. There were also a few candidates who appeared to rely far more on their everyday knowledge and personal opinions to answer questions that, in fact, were formulated to test the understanding of concepts and theories from within Economics and Business Studies.

Again, it is worth emphasising that the space and lines provided in the examination booklet are intended to guide candidates as to the suggested length of the response, given the number of marks allocated to the question. There were still a few cases where candidates left a 12 mark or, in some cases, a 20 mark question blank because they had clearly run out of time after writing far too much for 8 and even 4 mark items.

Question 1 (a)

The paper begins with a calculation of an index number, using the data taken from Extract C. It is worth remembering that 20% of the marks for the paper derive from quantitative skills. For a description of these please refer to the 9EBO specification. Candidates who had covered the calculation and interpretation of index numbers in the course of their studies tended to achieve full marks on the question. This is, of course, basic knowledge and really should be known at this level.

One common error was to express the index to one or more decimal places, although the data series itself contained only integers. However, this was not marked down in this series. It is worth remembering that it is always a good idea to show working out as marks could have been achieved without the correct final answer.

Question 1 (b)

This item was intended to test candidate understanding of the impact of a merger upon market competition. It also tested the ability of the candidate to apply this understanding to the case study material, with the UK supermarket sector already oligopolistic.

There was one knowledge/understanding mark for identifying a possible impact, two application marks for reference to the context and one analysis mark for further development of the explanation. The main reason for underperformance on the question was the lack of application. For example, a candidate may have identified two possible impacts and developed their explanation. However, if the response lacked reference to the context then half of the potential marks could not be accessed.

Question 1 (c)

This question was intended to assess understanding how changes in income and/or rising food prices might impact on demand for supermarket goods and services. Most candidates actively used the data by, for example, making reference to the rising use of discount supermarkets and a greater willingness to “shop around” for cheaper basic foods.

While it was not necessary to refer explicitly to price elasticity of demand (PED) or income elasticity of demand (YED), there were some examples of candidates using these concepts to help explain the change in market share. As with Question 1(b), note the allocation of marks in terms of application; most marks were lost due to a lack of reference to the context.

Question 1 (d)

This question was intended to assess understanding of how cost-push inflation might impact upon real GDP growth.

There were six marks available here, two for knowledge/understanding cost-push inflation. Two application marks for development in the context of Extract C and two analysis marks cost-push inflation for developing analysis to explain the impact of cost-push inflation on economic growth.

There were a few responses which utilised AD/AS diagrams to illustrate the impact of decreasing AS upon real output. This was good to see and was awarded evaluation marks where the inward shift in AS brought about a decrease in real output.

Question 1 (e)

This question was intended to test the understanding of the impact of falling real wages upon the supermarket sector. This was the first 'level of response' item on the paper and we expected to see both an understanding of the meaning of real wages, as well as the effect of this on demand in the sector.

The best responses discussed YED, specifically the characteristics of inferior goods, using this concept to explain the changes in market share identified in Extract B. These responses used the data to demonstrate an awareness of competing arguments, highlighting that TESCO is responding by creating its own discount brand. Evaluation included an assessment of the extent to which real wages are likely to continue to fall, as well as the success of existing forms in maintaining customer loyalty.

Question 1 (f)

This question was intended to test the understanding of the impact of the market power of the supermarkets upon two stakeholders, consumers and suppliers.

There were lots of opportunities to gain high Level 3 marks here, provided the answer focused on the potential costs and benefits for both consumers and suppliers. As with many of the longer levels of response questions, there was a tendency to make unsupported assertions or offer lots of unexplained points, rather than following through coherent chains of reasoning; this led to many Level 2 scores. Quality of argument and balance is far more important than quantity with these questions.

There was a common tendency to focus on the negatives for consumers and suppliers but not to identify, let alone assess, any likely benefits. Indeed, there were some responses which only dealt with consumers and did not address the impact upon suppliers as all.

The best responses identified a benefit/cost and then evaluated this benefit/cost. For example, economies of scale might lead to lower prices for consumers and conversely lower prices for suppliers.

Question 1 (g)

This question was generally not well answered and suggested a gap in knowledge and understanding of how food price inflation may impact upon the living standards of low income groups more than for higher income groups.

A balanced response ought to have looked at such a differential impact, as well as evaluated the likely ameliorating factors such as changes in real wages, time period for the food price inflation and other variables which may lessen the impact. It would also have been pleasing to see some analysis and evaluation of the variables, quantitative and qualitative, included in the assessment of living standards.

Question 1 (h)

This question was intended to test the understanding of the benefits and costs of inorganic growth and horizontal integration. Specifically, the benefits and costs of inorganic growth for the two established supermarkets. What was surprising was the number of responses which focused upon the costs or risks and failed to identify any benefits associated with such a takeover.

As with the previous question, there were lots of opportunities to gain high Level 3 marks here, provided the answer correctly focused on the context and showed an awareness of competing arguments. As with many of the more extended, levels based questions, there was a tendency to make unsupported assertions or offer lots of unexplained points, rather than following through coherent chains of reasoning which led to many Level 2 scores.

The structure of such responses is important. It is not necessary to begin by defining terms but by answering the question straight away and relate this to the context. Then proceed with arguments (costs) and counter-arguments (benefits) as the answer continues.

Always try to provide a conclusion that is based upon the previous analysis and evaluation. A conclusion which introduces a totally new argument and is not evaluated is unlikely to raise the level of a response.

Question 2

There were some excellent responses to this question that really did address the benefits and costs of trade bloc membership and demonstrated good knowledge and understanding, which was pleasing. However, some responses were rather generic and did not relate directly to the context of the question which was the USMCA as a replacement for NAFTA.

While the question referred to trade blocs, this did not mean that a general, purely theoretical response was required. The best responses combined a good understanding of the benefits of trade creation and also the drawbacks of trade diversion, as well as locating this in the context of North America.

Question 3

The final question was either answered very well, left blank or else completely misunderstood with a totally inaccurate response focused upon interest rates and monetary policy.

The best responses to this question were able to refer to the two aspects of fiscal policy, both taxation and spending, evaluating their use to reduce income inequality. There was only one example of a response which briefly addressed rising wealth inequality.

The less successful responses provided a generic discussion of fiscal policy without really engaging with the relevant Extracts; specifically, the idea that the tax burden as a percentage of income is weighted towards low income groups.

Too few responses addressed the question of whether income inequality can be seen as market failure, with taxation and spending representing efforts to correct this market failure. Even fewer saw rising income and wealth inequality as an example of government failure.

Paper Summary

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

- Candidates must learn basic definitions and techniques. A good example of this is question 1(a) where “calculating and interpreting index numbers” is stated in the Theme 3.1.1 Growing economies specification.
- Where possible, candidates are encouraged to use the data or context provided in their responses. The use of data requires more than simply quoting or copying figures or sections of text. It is the active use of the data that is rewarded. For example, Item 1(c) required candidates to use the data to comment upon the growth in the market share of *Aldi* and *Lidl*.
- As always, it is really important that candidates are familiar with the command words for the papers. If the question asks for the use of a specific data item, or extract, then this should be used in the response. Item 1(d) asked candidates to use data from Extract C. There were many generic responses to this question which made no reference to Extract C and therefore achieved, at best, two marks out of a possible four.
- If a question asks the candidate to 'discuss', 'assess' or 'evaluate', then an awareness of competing arguments must be demonstrated for higher levels to be attained. Alternatively, if the command words 'explain' or 'analyse' are used then a coherent chain of reasoning is expected but an awareness of competing arguments is not expected.
- In the Section B and C questions, the essays can be supported by candidates' own examples arising from their study of the subject. However, if a question asks for a response relating to a specific context, for example USMCA in Question 2 or the UK in Question 3, then it is expected that the answer will attempt to do this. Purely generic essays are unlikely to achieve Level 3, let alone Level 4 for these more extended question.

