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Examiners' Report/
Principal Examiner Feedback

January 2016

Pearson Edexcel
International Advanced Level (IAL)
Economics (WEC01) Unit 1

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Introduction

The number entered for the January 2016 series increased compared to the January 2015 series. The performance on all parts of the paper improved on average compared to last January. Centres and candidates are clearly responding to previous feedback.

Overall, the paper was accessible for all 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.

On the data response section question 9 was more popular than question 10. Approximately 2/3rds of candidates attempted question 9 and 1/3rd question 10. Candidate's performance on the two questions was broadly similar. Students did marginally better on question 10 than 9.

Diagrammatic analysis on the work 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 questions 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. A number started questions 9 and 10 but did not manage to complete all parts.

However it was unusual for me 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 improved to 20.32 marks. 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 leaners 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 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 fail 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 explanation marks, for example, explaining the correct answer, diagrammatic analysis and eliminating one or more incorrect answers.

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 more in the context of the question. There was a significant improvement in the numbers evaluating. Question 9 (The cocoa market) was a more popular choice with most candidates selecting this, compared to Q10 (The cotton market). A marginally higher mean score was recorded for Q10 than Q9.

Q1

The question tested students on their understanding of normative and positive statements. Most candidates were able to correctly identify the correct key and achieve all the explanation marks. The majority of candidates earned two marks for accurately defining what a normative and positive statement were. The stronger candidates referred to positive statements as ones that can be proven or as being value free and normative statements as those involving value judgements. It is important that candidates do not refer to value judgements as opinions as this will not be credited. A simple way to pick up the final mark was to explain why statement 1 was positive as you could prove that education spending had increased and statement 2 normative as the word should showed that this was a value judgement. Rejection marks were rarely offered as they tended to achieve marks by explaining why the key was correct. Where it was attempted they used the same point as they used for explaining the correct answer so did not gain credit as we cannot double award marks. The mean score on this question was 3.4 with 4 being the modal score.

Q2

The question considered the price mechanism and needed candidates to identify which of the statements was a function of the price mechanism. Nearly all attempted and achieved a mark for the definition of the price mechanism. Most referred to the interaction of supply and demand and the invisible hand to achieve the mark. Better candidates then drew a diagram to show rising demand showing how the price would then rise to access 2 more marks. Others explained this in writing. Rejection marks were often offered and there were some good attempts on this question. In rejecting A many referred to the fact that increased price means greater profit incentive so quantity supplied would rise. Students less commonly rejected C or D. Many simply wrote D is wrong as there is no government and without explaining this they did not access the marks. The mean score was 2.09 and the modal score was 1, closely followed by 4. So many candidates struggled and almost as many achieved full marks

Q3

The question provided an example of a firm adopting division of labour and asked students to identify the likely impact. I was impressed with the quality of definitions of division of labour which referred to breaking down tasks and each worker specialising on a stage. Most achieved this definition mark. Many were able to explain why output per worker rose, referring to wasting less time changing between tasks and how they would become better at the job if they focussed on it. The rejection of C was effectively done with most referring to the fact that doing the same job again and again would create monotony not reduce it. The rejection of D referred normally to how they would take less time changing tools between jobs so making it incorrect. Many did well on this question. The response was much improved compared to where questions on division of labour have been asked in previous series. The mean score was 3.17 with a mode of 4.

Q4

The question needed candidates to show an understanding of consumer behaviour and why consumers may not behave rationally. It was unusual for candidates to define rational behaviour or irrational behaviour. Many confused inertia with habitual behaviour which are not the same. Making sure candidates can distinguish between the two would be useful. Candidates that did better were able to explain what inertia was and why they would not switch given this. Where rejection marks were achieved these tended to be for rejecting D. They were able to explain that if people were good

at computation they would calculate the benefit they could derive from switching and would move to another provider. The mean score was 1.73. Rational behaviour and the reasons people will not behave rationally is an area that centres need to work on with candidates as it again proved challenging.

Q5

This question looked at the impact of a change in supply in one market on the price in 2 markets. Nearly all candidates could identify a good harvest would see more supply of tea and the price would rise. Many annotated the diagram accurately. It was important that the new supply curve and price needed labelling and failure to do so proved costly to some as they were not rewarded. If they did not draw the diagram they offered a written explanation to this effect. Better candidates were able to explain why the two goods were substitutes and made the point that they met the same need or that the cross elasticity of demand (XED) was positive. The next mark was harder for many to achieve which was to annotate the coffee diagram to show demand and price rising. Most annotated the diagram which is better than redrawing the whole diagram which is an inefficient use of time. Again both the curve and axis must be labelled. Few achieved marks through rejection. The mean score was 2.81. Nearly 48% achieved 4.

Q6

The candidates were required to identify that labour was a derived demand and pleasingly many did. Better candidates often drew a diagram showing demand for labour rising and showed wages then rising to achieve 2 marks. Other went through the same process in a written explanation linking the additional demand for aeroplanes would mean manufacturers need more labour so the demand would rise causing upward pressure on wages. The mean score was 2.65 and the modal response of 4 was achieved by 44% of candidates.

Q7

The question tested candidate understanding of imperfect information. Many successfully defined either asymmetric information or imperfect information and were credited for one or the other. A small number achieved a mark for why this under-consumption was an inefficient allocation of resource and thus market failure. Many were able to explain that consumers not being aware of these costs of treatment was why they under consumed. A significant number rejected alternatives. C was rejected by many by linking to examples of opportunity costs of buying health care. Many rejected B by explaining why health care can be excludable. Lastly many identified that falling indirect taxes would attract more to buy as the costs of health insurance would fall. The mean score was 2.33 with a mode of 3.

Q8

The question looked at market failure and needs candidates to identify the example of a market failure. Many effectively defined market failure and when they got the answer correct they were able to define public goods. Those achieving full marks normally then gave examples of public goods or explained the free rider effect. Where candidates rejected A they normally explained how this was a way to correct the market failure. B was normally rejected by explaining this was the market working efficiently. Many correctly identified D as an example of government failure. Confusion for some was in identifying D as a failure of the market incorrectly. Many also identified that rationing of the product with higher price is a market failure when in fact it is the market functioning efficiently. The mean score was 2.19 with a mode of 4.

Q9a

This question looked at the market for chocolate and explaining why the price had risen. Few students accessed the mark for explicit reference to the data in terms of the price rising 8% at Hershey and 7% at Mars. Many accessed the mark for identifying rising incomes in China as a factor increasing demand. Many then drew a supply and demand diagram and were awarded a mark for showing the original equilibrium and shifted demand to the right. Few also picked up the rising cost of cocoa and drew the associated shift in supply to the left. Thus they lost the mark for the shift in supply and therefore the final mark for the final equilibrium. It was surprising how many identified the factor affecting supply and demand but failed to draw both shifted on the diagram. Another area of confusion was that some looked at the cocoa market price changes rather than chocolate. The mean score to this question was 3.42/6.

Q9b

This question needed candidates to explain whether supply was elastic or inelastic. Most candidates defined price elasticity of supply, elastic or inelastic supply of the first mark. It was pleasing the numbers that accessed marks for identifying from the data that it take 3-5 years for trees to mature and that a small amount of land is dedicated to its growth. They then picked up the final mark for then identifying that this was inelastic demand. Fewer candidates confused price elasticity of supply with demand than in previous series. The mean score was 2.55/4.

Q9c

The question asked people to discuss and still some candidates did not offer evaluation points. The 10 marks allocated was also a clue that evaluation was needed which meant 4 evaluation marks are available. Evaluative comments on this question were less well done. The candidates needed to look at whether demand was price elastic or inelastic. A number confused price elasticity of demand with supply. Many defined price elasticity of demand to access level 1. Many then referred to how manufacturers try to avoid price rises such as Toblerone and Lindt or how many had not changed the price for 3 years. Most were then able to link this to assuming demand was price elastic. Many identified that Mars and Hershey were raising their prices and that they may see demand as price inelastic. Common evaluation points considered the fact it may become more elastic in the long term, that chocolate was only a small proportion of expenditure. Many also looked at how elasticities may vary for different chocolate products. The mean score was 3.85/10.

Q9d

The question looked at the impact of a minimum wage for cocoa workers in West Africa. Definitions of the minimum wage were commonly offered. Many attempted the diagram although not requested. An accurate diagram helped achieve in level 2 and talking about what this shows you was where they moved this to level 3. The extract focussed on the inability of many cocoa employees to meet their basic needs and answers that focussed on this tended to pick up more application marks and accessed level 2 or higher. Developing of benefits of problems of the minimum wage are important to access higher levels also. Evaluation tended to focus on magnitude and the benefits of the minimum wage in terms of productivity gains. The mean score was 6.76/14

Q9e

The question asked candidates to look at the impact of the introduction of the indirect tax on sugar sweetened drinks. The application to the extract was good identifying how the indirect tax would affect consumption of such goods and issues like obesity and the external costs linked to this. Many referred to cross border smuggling as referred to in the article. Diagrams normally correctly drew the supply curve shifting left and showing price rising and quantity falling. This enabled them to access level 2. Those that tended to move to higher within mark band 2 and 3 were able to show also the amount of tax revenue and the incidence whilst also explaining it in their written work. For evaluation the focus was often linked to going for cheaper alternatives, the importance of price elasticity of demand and the magnitude of the tax. The score was 7.01/14

Q10a

The question looked at explaining why the price of cotton decreased. As with the corresponding 6 mark question 9a many struggled with the fact they needed to shift 2 curves. Very few referred to the 5 year low in price. Most identified that supply had risen due to the large crop in the USA. They achieved a mark for the correct original equilibrium on the diagram and the shift in supply. Fewer identified that China had stopped stockpiling causing the fall in demand. Only a few shifted demand left and got the mark for the new equilibrium. The mean score was 3.79/6.

Q10b

The question looked at the impact of an increase in income on the demand for clothing. Most defined income elasticity of demand to achieve credit in level 1. Many correctly used the extract to identify the relationship between income and demand for clothing. Most identified it as a normal good. Explicit reference to the link between income and spending on clothing, bed sheets and towels helped achieve a higher level. Some good responses showed the relationship on a diagram. Evaluation tended to focus on the idea that some clothing might be inferior, that time lags might exist and magnitude issues. The mean score was 4.62/10.

Q10c

The question needed the candidates to define finite goods by using examples. Many defined finite goods and they referred to water and its limited availability for human consumption. A small number of students got finite confused with infinite and renewable resources. It was also important to refer to examples of finite resources as listed in the extract so those referring to cotton were credited but those referring to fossil fuels were not as this was not with reference to the extract. The mean score was 2.83/4.

Q10d

The question saw candidates evaluate the impact of a proposed increase in the minimum price for cotton. Most define the minimum price and reasons you might need one to protect suppliers from low price and low incomes. Many are able to show how supply will rise at the higher price and the better candidates linked this to higher profit incentive. Some better candidates explored the impact on producer and consumer surplus. Many linked to the government supporting this through a guaranteed minimum price scheme. It was pleasing how many referred to the actual change on the minimum price. The very best Reponses drew the minimum price showing that the minimum price has not just been imposed but increased. Diagrams that showed this and explained the impact were able to access the top level. Where evaluation was offered it tended to focus on the possible external costs, opportunity costs for governments, the magnitude and the negative impact on the consumers in terms of higher price. To improve it is the need for more evaluation that would have the largest effect on improving performance. The mean score was 6.56/14.

Q10e

The question looked at external costs created by the production of cotton t-shirts. Most defined external costs. Many explicitly referred to externa costs from the extract. To access a higher level they then went on to analyse how the external costs effects the third party. The diagrams discriminated well with those achieving the higher levels being able to draw the diagram accurately with the welfare loss labelled. For those who did less well they often made mistakes on the diagram. It would be useful for candidates to identify the market equilibrium and social optimum. Evaluation when

offered focused on magnitude, the time period with which external costs will emerge, and the difficulty putting a value on external costs. The mean score was 6.70/14.

Paper summary
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

• Always refer to the information provided, for example give the exact cost of treatments

•when explaining why statements are normative do not just refer to should as showing it is normative. It is the connection to showing it is a value judgement that is needed

•make sure that students know what inertia is and how it differs from habitual behaviour

• when annotating diagrams it is important that each curve and new equilibrium is labelled
• Take care in labelling the y axis as wages on a labour market diagram

• 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

• Both 6 mark questions required a diagram that needed to shift both supply and demand. A significant number identified both changes but only drew one. This meant they lost a mark for the shift and 1 mark for the final equilibrium

• 10 (c) asked for reference to the extract and needed candidates to identify an example from the source. Many used generic examples form their knowledge and it is important that the examples are taken form the extract

• Read the question instructions very carefully to make sure your answer remains relevant throughout. All too often candidate answers strayed from the questions set as in Q9(b) where some focused on price elasticity of demand and Q9(c) where some focused on price elasticity of supply. It is important to focus on the concepts mentioned in the question

• 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

• 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. For example with 10(b) they needed to refer to income elasticity and too frequently this was only defined

• Where diagrams are requested these should be drawn as they will be well rewarded- do be careful with the accuracy of these. 9 (e) required a diagram and many drew the area of tax revenue or incidence inaccurately. 10 (e) required a diagram on external costs and it is useful to remember to label explicitly the market equilibrium, social optimum and welfare loss

• 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 require 2 evaluation points for 4 marks

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

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