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In Economics (WEC14) Paper 01  
Unit 4: Developments in the global economy

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## **Introduction**

This is the October series for assessment of WEC14 Developments in the global economy. The examination tests the candidates' abilities to select and apply 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, candidates performed the best on economic development (question 1). The question with the focus on terms of trade was the least well answered question (question 6) and this part of the specification may need attention by centres. On the remaining questions, candidates performed reasonably better.

In Section B, the data response section, questions are based on information provided in the source booklet.

Q07(a): Candidates only access two marks by correctly calculating the amount saved out of total cash payments. Most candidates scored two marks for the correct calculation.

Q07(b): This question required explanation of 'inflation target'. Two relevant pieces of data were required from Extract A to attain the two application marks. Many simply mentioned that low stable inflation is a government objective in the definition, and they were only able to access 1 mark.

Q07(c): Most candidates were able to analyse two ways a deflationary monetary policy can 'control the rising rate of inflation'. However, only a small percentage of candidates could fully explain the impact to access both analysis marks.

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

Q07(d): Majority of candidates were able to examine two reasons why the demographic changes in Japan may constrain its rate of economic growth. Two knowledge and two application marks were often awarded for relevant use of the sources. However, several candidates copied paragraphs from the extract and were not able obtain analysis marks. This is an area which all the centres are advised to address. Many responses were also not able to access evaluation marks as they gave solutions to these problems rather than directly answering the question.

Q07(e): Most candidates made effective use of the source and were able to discuss the policies that the Japanese Government could implement to increase the country's long-term rate of economic growth. A low proportion of candidates developed their analysis

with clear chains of reasoning to achieve at least Level 3 KAA marks. A common feature in responses was to try to cover as many measures as possible but without development in the analysis. As this is a data response question, candidates are required to examine the factors that have been provided in the extract and not from their own knowledge, unless specifically mentioned.

In Section C, candidates 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 candidates' 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 Q07e, 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 enough time to develop them. Some candidates drew appropriate and accurate diagram(s) and incorporated it with sound analysis points. This allowed them to consistently achieve 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. Candidates 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 offered good opportunities for candidates to differentiate by ability. Answering the exact question asked, integrating the data with analysis and strong evaluation continue to remain the essential ways that the A-grade candidates achieve higher marks. It appears that most candidates were not actually able to complete the paper in the time available.

Moreover, candidates are 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 interventionist strategy that could stimulate economic development in Mali. This was a well answered question with many candidates obtaining the one mark. The correct answer is B – Development of human capital.

### **Question 2**

For this question candidates needed to identify the factor that could have caused the depreciation in the exchange rate of the euro against the US dollar. The correct answer is C – There was more capital flight from the eurozone than from the USA. This was the weakest amongst all the multiple-choice questions.

### **Question 3**

Not many candidates correctly identified the reason why the Lorenz curve of Peru shifted closer to the line of perfect equality. Some selected option B, perhaps getting confused with exchange rates. The correct option is A – Gini coefficient for Peru had decreased.

### **Question 4**

The correct answer is D. Candidates were unable to correctly deduce from the balance of trade in goods and service diagram that the value of exports was greater than the value of imports. Distinction between trade and fiscal surplus needs to be covered.

### **Question 5**

Candidates tended to perform reasonably well on this question, which asked candidates to identify combinations of foreign currency transactions would Canada's central bank use to reduce the value of the Canadian dollar against the UK pound sterling. The correct answer is C.

### **Question 6**

For this question, candidates needed to identify the factor which is most likely to have caused a decrease in Pakistan's terms of trade. The correct answer is B - The prices of imports into Pakistan increased at a faster rate than the prices of its exports. Several candidates were unable to accurately answer this question.

## **Section B**

The source booklet focused on Japan's economy. It comprised of two graphs – Figure 1 showing inflation rate and Figure 2 showing the % of population aged 65 and over. There were three extracts that highlighted The BoJ's monetary policy, demographic changes and government expenditure in Japan.

### **Question 7a**

Candidates needed to calculate the amount saved from the total cash payments made by the Japanese Government. Although a large proportion of total candidates scored the maximum of 2 marks, there were some who did not include the billion in their answer. It is important to use the data carefully for calculation-based questions.

### **Question 7b**

Many candidates were able to successfully explain inflation target and only a handful did not attain full marks. A common response was to explain it in terms of being a rate that the central bank wants to achieve. To access both the application marks, candidates had to include two pieces of data – one from the Figure 1 and one from Extract A. Some candidates only offered one, and not both. Given the nature of the question, it is key to cover all aspects of the answer in knowledge and application.

### **Question 7c**

This question required candidates to analyse two ways a deflationary monetary policy can 'control the rising rate of inflation'. Most responses included raising the base rate of interest and ending quantitative easing which were very well analysed with accurately drawn diagrams. They were also able to access two application marks by using relevant data from Figure 1 and Extract A. Few candidates confused fiscal policy with monetary policy and were unable to access any marks.

### **Question 7d**

The question required the candidates to examine two reasons why the demographic changes in Japan may constrain its rate of economic growth. Most candidates were able to identify the problems and were also able to gain the two application marks required, as they referred to both Figure 2 and Extract B. However, some found it challenging to analyse these points and struggled in understanding that this question related to impact on Japan. Many copied the paragraph from the extract and did not explain the points. This did not allow them to gain the analysis marks.

Evaluation was lacking and not very well written with some only identifying a point and not explaining it well. There were some candidates who 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 7e**

Candidates needed to use the source to discuss policies that the Japanese Government could implement to increase the country's long-term rate of economic growth. It is important that candidates select any two factors 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 candidates to access the higher levels of response.

A handful of candidates were able to successfully identify and explain policies such as investment in human capital and infrastructure. They were able to integrate this with the application given in the source from Extract C. This gave them access to Level 3. However, many candidates just copied the source and did not explain their points. This gave them access to Level 1 only.

Evaluation points made were fairly sound. They included references to short run vs long run considerations. Many included time lags as an evaluative comment but were not able to successfully support this point using a logical chain of reasoning. Candidates should ensure that they do this as opposed to listing a number of separate undeveloped points.

### **Section C**

Candidates often make a number of valid separate points but do not develop a coherent chain of reasoning. In addition, a large number of candidates do not include any form of contextual reference and consequently will not achieve the higher-level marks. Context can be from the stem provided in the question and/or from other examples effectively used by the candidate. A reminder that just writing a country name in the answer does not merit as application.

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

Candidates are not expected to write four analysis and three evaluation points, like in the old specification. They can select two 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 candidates to evaluate the likely benefits to a developing country of joint ventures between local businesses and transnational companies as a means of promoting economic development. Also, to access high Level 4 for KAA, candidates are required to refer to a developing country of their choice in their answer.

Many were able to identify benefits correctly. Most of the answers only carried a two-stage chain of reasoning, and therefore, they were not able to access Level 3 KAA. Some focussed on mergers, and this meant that they were not able to access more than Level 1 as their analysis was not accurate. Those who identified a range of benefits without linked development were only able to access Level 1 KAA.

Candidates struggled to evaluate effectively. Majority of candidates could only highlight diseconomies of scale as a potential issue but did not link it to economic development.

Other points were quite generic and not very well developed; they did not achieve more than Level 1.

### **Question 9**

This question had asked the candidates to evaluate whether the benefits of globalisation outweigh the costs. Refer to a country of your choice in your answer. To access Level 4 for KAA candidates are required to refer to a country of their choice in their answer.

Most were able to identify a range of benefits and explain them with multi-stage chains of reasoning. The most common points focused on consumers, firms, and comparative advantage. Some answers carried a two-stage chain of reasoning without application to key terminology and concepts, and therefore, these candidates were not able to access Level 3 KAA.

Evaluative comments were quite well written. Many offered their points on the costs of globalisation, but there were some who went tangential where they discussed reasons and did not answer the question. For those who were able to stick to costs but did not always explain in good depth, were awarded at Level 2. Candidates whose points were generic and did not have any chains of reasoning did not achieve more than Level 1.

### **Question 10**

This question asked candidates to evaluate the disadvantages of agricultural subsidies paid to farmers in developed countries on developing countries. Additionally, to access high Level 4 for KAA, candidates are required to refer to a developing country of their choice in their answer.

The most common points mentioned were linked to subsidies as a form of protectionism and impact on balance of payments. Most answers demonstrated identification of points, but they were not always fully developed or had few stages of reasoning omitted. These candidates were not able to access more than Level 3 KAA. Those who explained this in a micro context were unable to attain higher levels.

Evaluation included some attempt to discuss the short run versus long run impact. Many candidates tried to use the advantages as evaluation. This was credited. Many were only able to explain one point with the other points often just been identified. Those who listed evaluation points achieved 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).
- Candidates must read all 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 candidates 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 candidates 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 candidates to develop a chain of reasoning by analysing two salient 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 candidates 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.
- Candidates 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.
- Encourage candidates to make full use of the specimen papers, previous examination papers, mark schemes and principal examiner reports.

