

Examiners' Report Summer 2008

GCE

IGCSE Economics (4350)

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Summer 2008

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Examiner Report 4350 1F

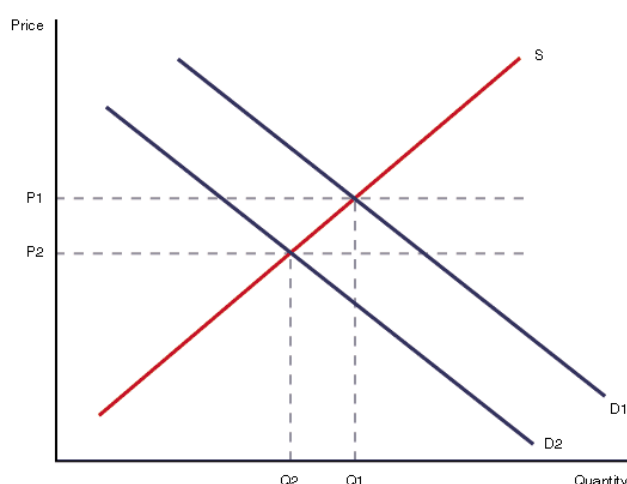
Centres and candidates are now becoming familiar with the format of the paper and this has resulted in an improvement in standards. Unfortunately, as in previous years, many candidates left responses blank or did not follow the instructions in the question. This was most apparent in Question 1 (c)(iii) where they were required “with the aid of Figure 1b to explain subsidies”. Far too many candidates ignored figure 1b and lost marks.

The terminology of economics needs to be understood by candidates. Definitions need to be learnt so that time and marks are not lost during the examination. Where the questions ask for examples then candidates should provide them. Too many marks are lost by not following instructions. The question based on Section 3 of the specification (Government and the Economy) produced the least successful responses, a fact that teachers should respond to in future teaching.

Question 1

Question 1 (a) (i) (ii) (iii)

Many candidates shifted demand to the right (an increase in demand) rather than to the left (a decrease in demand) as shown correctly below.



Question 1 (b) (i)

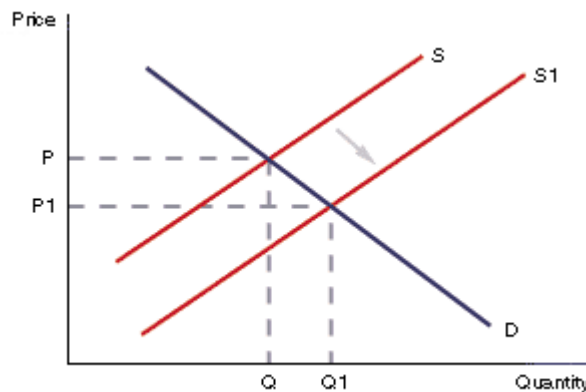
This required a simple definition of price elasticity of demand but many candidates referred to the relationship between price and demand i.e. price falls and demand rises and vice versa instead of explaining how a change in price can bring about a less or more than proportionate change in quantity demanded. This mistake was compounded in (b)(v) where candidates referred to the factors which affect demand e.g. increase in income, instead of the factors which affect elasticity of demand e.g. availability of substitutes, whether the good is a luxury or necessity.

Question 1 (b)

Most candidates managed to correctly calculate Total Revenue (Price x Quantity) but failed in (b)(iv) to identify the elasticity of demand as price rises from \$50 to \$60. The specification states that the only calculations required for elasticity of demand are those that relate to total revenue, therefore because total revenue decreases (\$500 to \$480) as price rises then price elasticity of demand must be elastic.

Question 1 (c)

The majority of candidates answered these parts correctly. However, in (c)(iii) the diagram was ignored and left blank (no changes to the supply curve or price and quantity).



Many explanations ignored the effects of a subsidy. A good response is given below.

“A subsidy which is given by the government to the public transport system does not have to be repaid. It can be used to increase public transport services by reducing costs which in turn could reduce price. This will increase demand as the public transport service becomes more attractive than using private transport e.g. cars.”

Question 2

Question 2 (a)

Most candidates used the data to identify the correct sectors and could give examples of occupations in these sectors.

2(a)(v) Few candidates could define “productivity of labour”, “*output per worker*” yet they could give at least one way, usually training and education, in which it could be increased. Other methods of increasing productivity could have included motivational techniques e.g. improved pay and working conditions as well as technical factors e.g. improvements in machinery and introducing division of labour.

Question 2 (b)

The topic of externalities appears in the specification yet it is obvious that many candidates do not understand it. Candidates who managed to identify two externalities in 2(b)(i) e.g. pollution and congestion, were at loss when they were asked to consider methods to reduce them in 2(b)(iii) e.g. increased tax on fuel, fines for high polluting emissions. A good response to 2(b)(iv) is given below.

"I believe that setting legal standards on exhaust emissions will be the most successful method. Although a daily charge of £5 will stop some lorries, most of the lorries would not be affected because if they are delivering something they could simply ask the customers to pay for the charges. With legal standards in motion, things become more serious for drivers. If they break legal standards it is a criminal offence and the fine would be expensive."

Question 3

Many candidates were uncomfortable with and scored poorly on this question. The data shows the German government's expenditure and revenue in 2006. As expenditure exceeds revenue it is obvious that there is a budget deficit 3(a)(i). Candidates found it difficult to explain this and some became confused with the balance of payments and wrote of exports and imports instead of the simple, succinct answer,

"The German government's expenditure of about 260bn euros exceeds the revenue of 210bn euros making a deficit of 50bn euros."

In 3(a)(iii) instead of the correct answer *"fiscal"*. Candidates who suggested *"monetary and supply side policy," "regional policy" "government policy", "exchange rate policy"* and *"public policy"* failed to score a mark.

Taxation is usually a popular well attempted topic but in this examination too many candidates failed to understand direct and indirect taxation. To write that *"direct taxes are taken directly"* and *"indirect taxes are taken indirectly"* is not acceptable. Answers which indicated that *"direct taxes are on income and wealth e.g. income tax"* and *"indirect taxes are on expenditure of goods and services e.g. VAT"* scored maximum marks. Similarly in (b)(iii)(iv) many candidates failed to give a valid advantage and disadvantage of an increase in indirect taxation. Examples of correct responses are given below,

Question 3 (b)(iii)

"One advantage of an increase in indirect taxation is that it can reduce the demand for some demerit goods e.g. cigarettes, and improve the health of the population."

Question 3 (b)(iv)

“One disadvantage of an increase in indirect taxation is that it can increase the gap between the rich and the poor as it is regressive and the poor have to pay the same amount as the rich e.g. the same amount on a litre of petrol.”

Most candidates correctly identified an economic objective of a government in (c)(i). Surprisingly they had difficulty explaining structural unemployment in (c)(ii) *“when there is a fall in demand for the products of an industry workers lose their jobs e.g. fall in demand for jute.”* A common mistake was to confuse structural unemployment with frictional unemployment. It has been reported after previous examinations that students’ knowledge of supply side policies is weak. In (c)(iii) they were required to consider supply side policies in relation to structural unemployment but most failed in this task.

“Supply side policies of retraining and education improve the mobility of workers who have been made unemployed because their old skills are no longer needed e.g. coal mining. With new skills they can find jobs in growing industries like computers. However, retraining takes time and by the time they are trained there may be no jobs available.”

Question 4

Most candidates realised that the balance of trade (a)(i) concerns international trade but failed to correctly define it. The calculations in (a)(ii)(iii) produced a variety of responses as well as the correct ones: (a)(ii) \$49.9bn and (a)(iii) -\$2.8bn.

Despite not being able to define the balance of trade the majority of candidates could distinguish between visibles (balance of trade) and invisibles in (b).

Candidates appear to understand the difference between a trading bloc and a block to trade and achieved success in (c). In (d) they were able to identify a variety of reasons why a country might protect its domestic industries and methods of protection. In (iii) candidates were required to “examine the extent to which one method is likely to be successful” a statement which required candidates to assess the success of the chosen method. To achieve maximum marks candidates also needed to refer to the limiting factor(s) of this success as shown below.

“Tariffs are a tax on imports which increase the price thereby reducing demand. However, if the good is a necessity (inelastic) then the price rises but demand falls by only a small amount leading to an increase in the total amount being spent on the imports.”

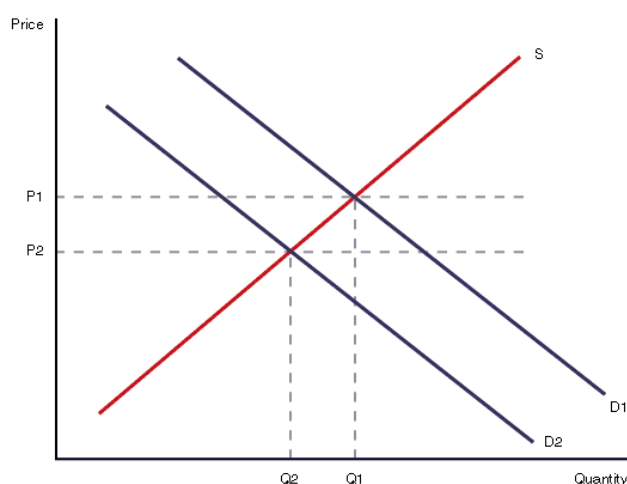
Centres should now be more familiar with the type of questions in the higher paper. The lower level skills of knowledge/understanding and application are the essential building blocks which help students to attain the higher skills. Teachers and students should now, with several sessions of past papers to aid them, be able to concentrate on ways in which to achieve maximum marks for those higher level skills of analysis and evaluation.

This report focuses on some of the common mistakes made in this examination together with examples of good practice. It is hoped that the report will enable centres to improve the performance of their candidates in future examination sessions.

Question 1

Question 1 (a) (i) (ii) (iii)

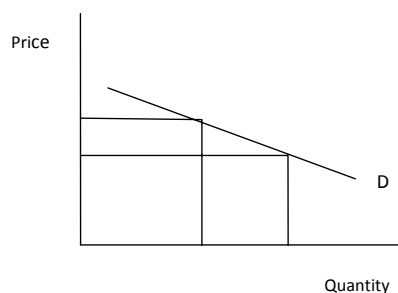
Too many candidates shifted demand to the right (an increase in demand) rather than to the left (a decrease in demand) as shown correctly below.



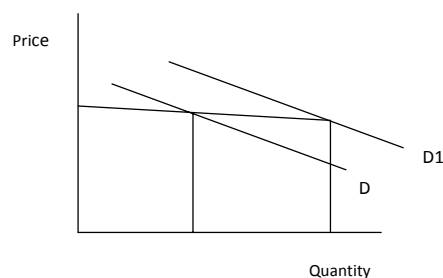
In part (b) candidates were expected to know and understand price elasticity of demand. Whereas most scored a mark on the multiple choice question (b)(i) few scored maximum marks on (b)(ii). The diagrams, which were supposed to illustrate the impact of a fall in price of bicycles on total revenue, too often showed a shift of demand with no price change and an irrelevant change in total revenue (price x quantity demanded).

Question 1 (b) (ii)

Correct Diagram



(b)(ii) Incorrect Diagram



As can be seen the correct diagram (on the right) shows an elastic demand curve, the change in price brings about a greater change in quantity demanded. Whereas the incorrect diagram (on the left) shows a shift in demand, no price change and therefore it can't be said whether or not the demand curve is elastic or inelastic. The explanation required caused problems as many candidates simply stated that as price falls demand increases which can apply to both elastic and inelastic demand curves. The correct explanation is below,

“As the price of bicycles falls demand rises more than proportionately i.e. the change in price brings about a greater change in quantity demanded. This will lead to an increase in total revenue for producers.”

The concept of elasticity of supply caused problems for candidates. Candidates are confused, especially about the factors affecting elasticity of supply. Many listed factors affecting elasticity of demand e.g. availability of substitutes, or factors which shift the demand curve e.g. income. Economics' resources state that the main factors affecting elasticity of supply are:

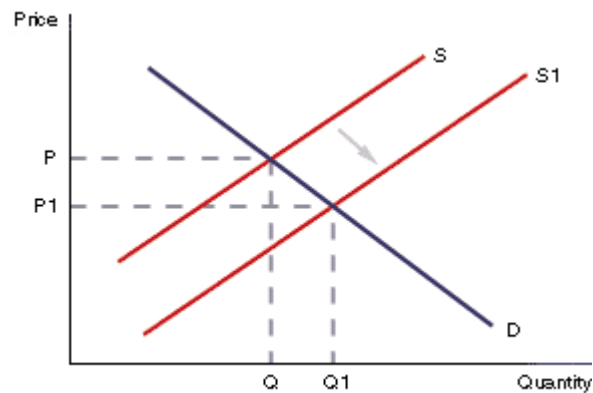
- spare production capacity,
- stocks of the good,
- the ease with which factors of production can be increased or substituted,
- the time period involved.

Candidates in (c)(i) were asked to identify two factors affecting elasticity of supply and (c)(ii) asked them to consider the factors and consider which one they consider most important. To gain maximum marks for this part of the question some evaluation was required.

“If suppliers have stocks of finished goods e.g. cars, then as price falls they can easily put more of cars on the market. This makes the supply curve elastic as supply has been very responsive to a change in price. The time period involved is also important as in the short run only the variable factors can be changed e.g. in a car factory the workers can work overtime and the stocks of engines etc can be used up but in the long run a bigger factory can be built and have more machines. So elasticity of supply is more elastic in the long run. I think time is more important as stocks will be used up but with time everything can be made in greater numbers.”

Question 1 (d)

The majority of candidates answered these parts correctly. However, in (d)(iii) the standard of responses varied. Most attempted to add to the diagram but not necessarily with relevant demand and supply curves.



Many explanations ignored the effects of a subsidy. A good response is given below.

“A subsidy, which is given by the government to the public transport system, does not have to be repaid. It can be used to increase public transport services by reducing costs which in turn could reduce price. This will increase demand as the public transport service becomes more attractive than using private transport e.g. cars.”

Question 2

Few candidates had problems with (a)(i)(ii) but most had difficulty defining productivity of labour, "output per worker" in (iii) and identifying two ways in which a government can increase it in (iv). Some of the most popular, correct responses included, education and training and financial assistance to purchase new technology.

Air and noise pollution were the most common forms of externalities identified by candidates. Suggesting methods other than a daily charge to reduce externalities proved more difficult. Once again some evaluation of the methods chosen in (iii) was required for maximum marks. A good response is given below.

"By charging tolls on roads the number of vehicles will fall leading to less congestion and pollution. However this may not be successful as not all roads in London can be tolled so vehicles might cause congestion on the other roads. The increase in fuel tax would affect all road users so might be better unless it was low and then road users would simply continue to use the roads as fuel is inelastic in demand. Nevertheless this might be a better solution as it will affect all road users."

Private and public sectors are well understood at this level so the majority of (c) caused no problems. The question concerning privatisation was not as straightforward as some might have wanted or expected. The question concerned the efficiency of privatisation not just the general costs and benefits of it.

"Privatisation is the transfer of state owned assets to the private sector. As private sector firms aim to make a profit they will try to become more efficient in order to reduce costs. This can be done by investing in new technology. Privatised firms face competition and this too can lead to greater efficiency in production to make better quality products. Some privatised firms may remain monopolies and in the private sector they may take advantage of their position and seek profits not efficiency. As the government has no control over these firms the threat of exploitation and inefficiency outweighs the benefits of privatisation."

Question 3

Some candidates were uncomfortable with this section and lost many marks through their inability to give succinct definitions.

The data, Figure 3a, shows the German government's expenditure and revenue in 2006. As expenditure exceeds revenue it is obvious that there is a budget deficit 3(a)(i). Candidates found it difficult to explain this and some became confused with the balance of payments and wrote of exports and imports instead of the simple answer,

"The German government's expenditure of about 260bn euros exceeds the revenue of 210bn euros making a deficit of 50bn euros."

Progressive and regressive taxes are not the easiest concepts and teachers must focus on trying to keep explanations simple to avoid confusion. The weakness of generalisations such as "the rich pay more" was shown up in attempted numerical examples which frequently showed more tax being paid but not proportionally more. Regressive taxation responses reversed this problem with some answers suggesting that the poor pay absolutely more than the rich and that indirect tax rates fall as prices rise. Good examples of (b)(i)(ii) are shown below.

Question 3 (b) (i)

“Progressive: as income increases the percentage paid in tax increases.

<i>Income</i>	<i>Tax paid</i>	<i>% tax rate</i>
<i>\$1000</i>	<i>\$100</i>	<i>10%</i>
<i>\$2000</i>	<i>\$300</i>	<i>15%</i>

Question 3 (b) (ii)

“Regressive: as income increases the percentage paid in tax decreases. VAT is an example of this as a good costing \$500 may be charged at 20% tax but this is a higher percentage of a poor person’s income than of a rich person’s income.

Cost of good \$500 Tax rate 20% Tax paid \$100

<i>Income</i>	<i>Tax paid</i>	<i>% tax rate</i>
<i>\$1000</i>	<i>\$100</i>	<i>10%</i>
<i>\$2000</i>	<i>\$100</i>	<i>5%</i>

Candidates performed better in (b)(iii) which required an advantage and disadvantage of a reduction in direct taxes. The most common advantages referred to *“more disposable income leading to a higher standard of living”* and *“increased incentive/motivation to work more as worker is left with more from his income”*. The most common disadvantages centred on *“increased aggregate demand in the economy which could lead to demand pull inflation”* and *“fall in government revenue which could lead to a fall in government expenditure on public and merit goods like health and education”*.

Responses for (b)(iv) varied depending on whether or not the candidates had read the question correctly. Too many gave types of taxes e.g. tariffs as one other way a government raises revenue when taxes had already been considered in previous parts of (b). Interest rates, exports and decreasing government spending also failed to score marks.

In (c) most correctly identified another economic objective apart from the control of unemployment. However their attempts to explain structural and seasonal unemployment were disappointing.

Question 3 (c)(ii)

“Structural unemployment occurs when there is a decrease in an industry’s demand e.g. when oil replaced coal as a source of power in the UK, miners lost their jobs.”

“Seasonal unemployment occurs at different times of the year due to a variety of reasons e.g. in the tourist industry there is less demand for hotel workers in the winter than in the summer.”

Supply side policies are not understood by the majority of candidates. Not all supply side policies are relevant to solving unemployment and this question (c)(iii) required candidates to consider which elements of supply side policies could be used and how effective they might be in reducing structural unemployment. To reach the highest level and include some evaluation candidates could have worked their way through this question in the following way:

Assessment objective 1: Knowledge	<i>“Supply side policies aim at improving the capacity of an economy.”</i>
Assessment objective 2: Application	<i>“Training and education are parts of supply side policy which aim at increasing the occupational mobility of workers.”</i>
Assessment objective 3: Analysis	<i>“Unemployed workers whose skills are no longer required can be retrained e.g. miners can become computer programmers and find new jobs in expanding industries.”</i>
Assessment objective 4: Evaluation	<i>“Re-training will take time and its success will depend on the willingness and ability of the workers as well as jobs still being available when they have been retrained.”</i>

Question 4

There has been a marked improvement in candidates’ understanding of international trade. This was obvious by the high scores achieved in parts (a)(b)(c).

Whilst most could define the term “trading bloc” many students leapt to implied assumptions about the degree of integration in trading blocs such as NAFTA. All trading blocs work at reducing trade barriers between member countries. A common external tariff (on imports coming into the bloc) is not always part of a trading bloc agreement but it was felt that this was acceptable in the responses. Free factor movement and a common currency between members are not usual practices for trading blocs and the suggested common taxes on exports and reluctance to sell exports to outside countries betrayed a poor grasp of basics.

Question 4 (d) (ii)

“The free trade area will now trade more with countries inside the bloc rather than countries outside it. Therefore countries outside the bloc will find the demand for their exports will fall leading to the closing down of some of their export orientated industries and this leads to unemployment. However, it could make countries outside the bloc become more efficient in an attempt to lower their costs of production to become more competitive.”

Question 4 (d) (iii)

“Countries inside the bloc now have the opportunity of importing cheaper goods from member countries as import duties have been removed within the bloc. The large market in the bloc leads to an increase in exports but also increased competition so that only the most efficient producers survive. Thus some countries may benefit and see an increase in exports if they are low cost and efficient. On the other hand member countries who can’t compete will see firms close down causing unemployment.”

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General Comments

The paper provided opportunities for all candidates to demonstrate their economic knowledge and understanding together with their ability to use this in relation to the sources and the questions asked.

Better candidates had used the pre-released material as a basis for further study and had a good understanding of the issues concerning economic growth. They were able, also, to use information from their own country to enhance their answers. In addition, these candidates took careful note of the 'key word', and used the sources, in order to answer the precise question that had been asked. In addition, they came to supported conclusions/decisions where these were required.

Weaker candidates appeared, in many cases, to be unprepared for the questions and either ignored the sources or copied them out thus limiting the credit that was available. Many appeared to be unfamiliar with the sources and their content. This was especially evidenced by answers to question 1b that required the use of Source A.

Centres, and candidates, are reminded of the need to use the material as a basis of further study and preparation for the exam. They should note, also, the requirement to refer to 'your country' and that this refers to 'a country of your choice'. Too many candidates answered, in particular, question 6 without any reference to a specific country.

Question 1

There were some excellent answers that referred to 'real output' in part (a) and made excellent use of Source A in part (b) often contrasting the Germany and the UK with the other countries in general, Azerbaijan in particular, and picking out Poland as an exception. Others ignored 'real', but were able to make a number of good points about Source A. Weak candidates tended to state what GDP was and then talk about Germany and the UK only.

Question 2

Most candidates were able to come up with some sensible ideas. The discriminating factor was their ability to explain the reasons. The best answers concentrated on 'nearly two-thirds ... are employed in agriculture' and 'frequent cyclones and floods'. Weaker answers often consisted of a list of points which restricted candidates to two out of six marks.

Question 3

There were many good answers to this question with candidates focusing on 'environmental problems'. Some, however, talked in terms of economic growth and thus missed the point.

Question 4

Some candidates assumed that they had to use Source D only, even though the question said 'with the use of the sources'. They then became very confused about investment and UK growth. These candidates were often unsure as to what the link between investment and economic growth was. Other candidates did realise that the question asked for 'most important' and/or used their answers to question 5 to claim that international trade was important. To do well 'most important' had to be referred to. The best answers were those that used not only the sources, but their own knowledge of factors such as education and training to answer the question.

Question 5

There were a lot of good answers to this question where development of the points made in the sources featured. While most decided that international trade was 'a good method', a number gained high marks for arguing the reverse. Weaker answers tended to consist of a rewrite of Source E, while the best answers clearly addressed 'the extent' and came to a supported decision making good use of the sources.

Question 6

While it was good to see that many candidates made reference to a specific country and, in many cases, clearly used their knowledge to support their discussion, it was disappointing to find a number of very good generic answers that were confined to half marks because there was no idea of 'your country' being the focus. These answers tended to stick rigidly to Source F, rather than using it as a basis for application. It was pleasing, also, to see many candidates, other than the best ones, coming to a conclusion.

4350 IGCSE Economics Report

As in previous years the majority of coursework was of a high and consistent standard. Many of the following comments, critical of the coursework submitted, were not the norm but an attempt to offer guidance to candidates in the future.

Knowledge, Understanding and Topic Area

The research undertaken by most candidates was good, eliciting relevant and informative detail. This usually stemmed from sound, accessible questions / hypothesis. For example, good questions used this year were:

“An investigation into the causes of price changes in Gadong Market”

“Investigating the price variations of potatoes in Karachi”

In both cases the hypothesis allowed candidates to effectively demonstrate their understanding of economic issues and apply economic theory and concepts.

A weaker hypothesis / question used was

“Investigate the changes in prices of different goods”

This is clearly too vague and imprecise. Candidates would find it difficult to develop this question and reach a valid conclusion in the allocated word count. In addition weaker answers tended to be too descriptive and ‘book based’. Answers tended to be explaining or describing rather than analysing and evaluating. This clearly limits the marks available via criteria 3 and 4.

Application

With the better candidates, significant use was made of economic terminology and applied precisely to the question posed. Definitions were evident and there was clear understanding of the issues involved. The weaker answers failed to apply economic terms and data and were almost universally descriptive in approach, often losing sight of the economics involved. This is likely to have stemmed from a poor question or hypothesis. Better answers were invariably based on both primary and secondary data. It was pleasing to see the effort and persistence of candidates in collecting data and then using and developing it in an interesting and informative manner. There was some very impressive work here for which candidates should be applauded. Less successful candidates tended to rely on secondary data with minimal original material or evidence. Candidates should recognise that good primary data allied with simple economic analysis will generate very high marks. In addition candidates who presented their data effectively generally made it easier for themselves to effectively develop their arguments. The quality of presentation was generally very high.

Interpretation and Analysis

There was some excellent analysis by many candidates using a wide range of economic theory and concepts. They showed an ability to use the collected research material in a relevant and informative manner. Use of economic theory and conceptual analysis was impressive at this level. The best candidates supported their arguments using good, accurate diagrammatic analysis. However, candidates would be advised not to use analysis not on the syllabus such as oligopoly or perfect competition. Candidates who used such concepts often got into increasing difficulties with little reward. Too often the understanding of such concepts was limited and failed to develop and candidates failed to develop their arguments. In addition candidates should make sure that the theory used is relevant to the topic / question they have chosen. In some cases the theory used appeared to be in isolation and bore little relevance to the question being answered.

Evaluation

It is crucial for candidates to attempt some form of evaluation in order to achieve high marks for assessment area 4. The high order skills of evaluation were evident in many cases. The best efforts demonstrated a high level of reasoned judgement based on the evidence and analysis provided. Again, there were some very impressive conclusions that were both perceptive and logical. Weaker candidates sometimes failed to offer a conclusion of any kind, while others drew conclusions but did not always link them to the evidence or research. In a minority of cases conclusions were made but had nothing to do with what came before.

4350 - Statistics

Option 1 - Foundation tier paper (1F) and paper 03

Grade	C	D	E	F	G
Grade Boundaries	55	49	43	37	31

Option 2 - Foundation tier paper (1F) and coursework (04)

Grade	C	D	E	F	G
Grade Boundaries	57	50	44	38	32

Option 3 - Higher tier paper (2H) and paper 03

Grade	A*	A	B	C	D	E
Grade Boundaries	78	67	56	46	41	38

Option 4 - Higher tier paper (2H) and coursework (04)

Grade	A*	A	B	C	D	E
Grade Boundaries	83	71	59	48	43	40

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