EXAMINER'S REPORT

MAY 2003

ECONOMICS

General Comments
This year one candidate achieved an A while there were 6 Bs, and 36 Cs. The most frequent grade was a D, though there were nearly as many failures. Those who failed generally did badly on all questions, or answered less than the 5 required.

Question 1
In the first question people were asked to write notes on the economic issues in relation to two out of three topics. The reference to economic issues was to get away from the set of unsupported opinions that previously were given in answer to this type of question, but many who answered this did not seize the opportunity to apply some economics.

Question 2 was a simple supply and demand question about house prices. This question produced the answer that if the price increases because of the increase in demand, the increased price will lead to a fall in demand, an increase in supply and then prices will fall back to their previous level with demand unchanged! This is almost identical to the approach from previous years. The students must really understand the difference between a shifting curve and moving along a curve.

Question 3 was about elasticity, and students were asked to explain the importance of three terms. Mostly they defined the terms, and described them, but said little about their importance.

Question 4 was answered well.

Question 5 was not. This was a question about monopoly, and while many drew the correct diagram showing the monopoly output, price and profits, this was not the case for the requirement that MC=P. This can be shown on the same diagram where the supply curve crosses the demand curve, and you can read off the price, output and profit information directly and compare with the unregulated case.

The money supply process (**Question 6**) is crucial to understanding money and banking and monetary policy. This was answered better than in the past, though some people thought it was enough to do two rounds and then say "and so on", or to leave an uncompleted table hanging.

In **Question 7** one person only mentioned the automatic stabilisers, and many did not refer to the recession. In Question 8 not many mentioned the exchange rate and the effect that the decline in the euro had on the inflation rate directly, and then the indirect effect it had on the economy by increasing competitiveness and causing the boom to be bigger.