



GCE AS EXAMINERS' REPORTS

**ECONOMICS
AS**

SUMMER 2017

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**EDUQAS
GCE AS ECONOMICS**

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COMPONENT 1: INTRODUCTION TO ECONOMIC PRINCIPLES

General comments

Attempts have been made to keep the length of the paper down to make it easier for candidates to finish and the paper this year seemed to achieve that goal with over 95% of candidates reaching the end of the paper. By having a smaller number of slightly larger questions, some questions that shared the same stem and some high mark calculation questions, the paper was less time-pressured, especially for the more technically accomplished candidates.

Taken as a whole, the paper exposed theoretical weaknesses that have been common for many years – elasticity calculations that involve more than one step and exchange rates. Likewise, the requirement to apply existing knowledge to new situations discriminated well between candidates with questions 3 and 5 being very good at separating out the thinkers from the mass. Looking across the accessibility of questions, question 2 taken across all of its parts was the most accessible, question 7 was the least accessible, but all of the others were answered to about the same standard by this year's cohort.

Question specific comments

- Q1 Was poorly done because a surprisingly large number of candidates seem not to understand the difference between actual and potential output in an economy. This issue returned with more force on a 10 mark question in Component 2 on Indonesia, but it is pretty fundamental to an understanding of macroeconomics. In this case probably the majority of candidates simply shifted the PPF inwards, which without any further clarification does not fit the scenario shown (especially given the emphasis in the question on the short run).
- Q2 (a) Asked candidates to apply basic maths to a new situation, and a very substantial minority were unable to do so. This obviously didn't augur well for the PED question, but these basic maths skills are surely the baseline requirement for any economist wishing to assess data.
- Q2 (b) Was also done surprisingly poorly with a frequent desire to shift demand to the left, thereby showing that indirect taxes lead to lower prices! This type of error comes from a lack of thought or a desire to memorise diagrams rather than to incorporate them as a central part of analysis; these thinking and analytical skills are ones that are central to the Eduqas ethos. Even those who shifted supply often didn't reference the diagram as part of their answer and therefore failed to score full marks.
- Q2 (c) This was generally quite well done by most candidates, although a few didn't know what government failure was and hence scored poorly. Some ran down standard lines of low PED and didn't score well because they were completely ignoring the stem, which contained the answer. This ability to apply theory to contexts is of absolute central importance and those candidates who are unable to do it will struggle to reach the highest grades.

- Q3 Was an application of market failure to a (probably) unfamiliar context. Part (a) was a simple definition, but part (b) discriminated extremely well. A very surprising number of candidates simply wrote out their notes on information failure and external benefits, generally putting them into the context of a product market which scored poorly. The best answers actually read the stem and then thought about why training might provide external benefits and why that might be a problem and how information asymmetries in the application process can also create issues.
- Q4 Was not well answered at all. The question required candidates to understand what PED of -0.25 means, work out a percentage change and then multiply one by the other. Only a tiny minority of candidates understood that you find the percentage change in demand by multiplying the percentage change in price by PED. In a world where Ofqual have insisted that more rigorous mathematical skills be developed, this is a pretty lamentable performance.

This performance was extended to part (b), where candidates failed to appreciate that higher price would be likely to stimulate an increase in production, ignoring both the positive PES and the real world.

- Q5 This question discriminated well, with the best answers really thinking carefully about the linkages between government infrastructure investment and private sector investment. Weak answers tended simply to explain that AD would increase and write some generic confidence related evaluation. The best answers thought about transport linkages encouraging FDI, labour mobility issues and so on, evaluating in context to point out that the infrastructure improvements tended to be regionally concentrated and that issues such as Brexit are likely to undermine any efforts such as these.
- Q6 In many ways this was one of the most accessible questions on the paper and candidates with a good theoretical understanding of the interest rate transmission mechanism did well here, linking changing base rates to consumption, investment and exchange rate channels, before using the context to debate the advisability of a rise. Weaker answers focused only on the impact of base rates on savings before making some generic evaluative points about time lags, once again wholly ignoring all of the clues that were given in the short stimulus material.
- Q7 (a) Was done very poorly with candidates generally choosing to argue that the government of Kazakhstan would cut the supply of tenge. How this was going to happen, or why the government was selling tenge in the first place was never made clear and such answers did not score well unless there was a clear explanation of how supply would be cut (e.g. controls on sale of foreign currency or tougher import quotas). The best answers simply argued that the government could sell reserves of foreign currency to buy tenge and drew an exchange rate diagram showing demand shifting to the right. More pragmatic answers simply argued that the Kazakh government could increase interest rates to attract short term capital inflows, which was fine too.
- Q7 (b) A surprising number of answers were unable to explain how a fall in the exchange rate would affect the prices of imports and exports and many were also unable to discuss the proposition by referring to concepts such as price elasticity of demand for imports and exports. Perhaps because understanding of exchange rates is often weak, there was a great attempt on this question to make use of the stimulus material and this was often done quite well.

Taken as a whole, this paper discriminated well between candidates and showed clearly what is needed to succeed as an economist at GCE level. In essence this is:

- A clear understanding (rather than solely knowledge) of economic theory which then allows candidates to apply that theory to unfamiliar contexts, and;
- to process data, handle numbers and perform calculations quickly both mentally and on paper.

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COMPONENT 2: EXPLORING ECONOMIC ISSUES

General comments

As last year, candidates found one of the two data response questions easier than the other. As with last year, the micro data proved more approachable than the macro one, with students really struggling on the last 3 questions on the macro data. The mean for the first data was 24.3 but only 21.3 for the second one.

The first data was on the National Living Wage and this was clearly familiar territory for many candidates, although many fell into the trap of reproducing learned lines of analysis rather than reflecting on the case that was given. In data response papers a huge proportion of the marks are for AO2 and candidates who have come across concepts only in the abstract rather than discussing them in real-life contexts in class or seeing them in the context of wider reading tended to struggle.

Question specific comments

- Q1 (a) (i) was a simple calculation that most got right, although a significant minority came up with 20% but this was statistically the most accessible question on the paper.
- Q1 (a) (ii) was done poorly, with a significant number of candidates unaware of what an index number is or its purpose. The new Ofqual emphasis on numerical skills needs to be taken into account when teaching the AS and A level courses or candidates are going to struggle – the demands of these questions were not really very significant, but a high proportion of candidates struggled and by contrast with part (a) (i) was one of the least accessible questions.
- Q1 (b) was one of the better completed questions (the second most accessible after the simple percentage change question in part (a)). There were lots of clues in the data and the best answers talked about profit margins, low productivity and inward migration from the EU. Weaker answers talked more generally about low skilled occupations or repeated answers to last year's Component 1 question about doctors and nurses – hence not putting them in context.
- Q1 (c) was generally well done – candidates had no learned response to fall back on and were forced to think, which they generally did to good effect. The better answers fed through to costs (and profits) but this question was accessible to anyone who read the data and was prepared to pause for thought.
- Q1 (d) This question was poorly done, because many answers got no further than a supply and demand diagram with supply shifting right and a short explanation. 4 of the marks on this question were for context and discussion. What about the minimum wage? Which sectors would be most affected? Unemployment in the UK currently very low – therefore how much will wages really fall? All these were questions that the majority of candidates failed to ask themselves and marks were limited as a result.

- Q1 (e) on the other hand was the reprisal of an old favourite and candidates were generally well-prepared for it. The question was broad in focus allowing candidates a broad canvas on which to write. This question discriminated very widely, with a significant minority unaware of how to show a minimum price above equilibrium. The best answers were able to apply to the context and think about inward migration from the EU, the remarks by John Cridland and the government's Benefits Bill as well as making more standard evaluations; purely theoretical answers could not get past 8/10 here.
- Q1 (f) on the other hand was not well done, with a very large proportion of candidates apparently unaware of the difference between productivity and production. Although this didn't lead to zero credit (because policies for one often lead to the other) it did make it difficult to access the highest levels of response because answers were off centre, talking about how output would increase rather than looking at factor productivity; this meant that apart from knowledge marks, evaluation marks were also harder to acquire because the answer wasn't evaluating the right thing. A number of candidates also think that the word 'policy' in a question entails a requirement to talk about monetary and fiscal policy rather than taking a broader interpretation of the concept. This question was statistically the 4th worst question on the paper.
- Q2 (a) This question was better attempted than comparable questions in the past, showing that many candidates do understand the difference between economic growth and GDP. A good number of candidates were able to make the point that although growth was slowing towards the end of the period, GDP was still rising.
- Q2 (b) This was actually completed quite well, with a very wide variety of responses picking up on the problems that Indonesia was facing. These were well linked to a supply and demand for currency diagram (some used a commodity price diagram which was accepted) for 4 or 5 marks.
- Q2 (c) This question was also done successfully, although there was some confusion about the difference between employment and unemployment; the emigration of Indonesian workers wasn't really directly valid as a cause of unemployment. Beyond that though, answers were again well-contextualised, linking to skills issues, slow growth, the slump in commodity price and so on. The best answers then went on to explain exactly why the factors would cause jobs to be lost.
- Q2 (d) was the worst question on the entire paper, which came as something of a surprise. Generally, candidates understand the factors affecting consumption well, but in this case, the diagrams almost universally showed the impact of a reduction in indirect taxes as a shift in AD to the right, there was no reference to the countervailing factors in Indonesia such as rising unemployment, falling car sales, the fall in the rupiah. Hence evaluation and application were both really poor.
- Q2 (e) was an opportunity for candidates to rack up marks very quickly, but understanding of the advantages and disadvantages of free trade was extremely superficial in many cases seeming to amount to little more than that exports might go up and so might imports. Better answers were aware that the weak rupiah might be a big plus, that free trade can be a supply side policy promoting efficiency gains and so on. Hence, what should have been a quick mark-booster proved to be a question that was actually handled quite badly.

- Q2 (f) Was possibly the most disappointing question on the paper. What was intended to be a question where the full range of the case could be used to look at long run growth created huge problems because many candidates simply didn't understand the factors that affect LRAS, with too many answers focused on the AD. As with 1 (f), this didn't mean zero credit, because many of the factors in the case affected both AD and LRAS, but it meant that answers were off-centre and it was therefore the 3rd hardest question in statistical terms.

Thus, as with its predecessors, this paper makes it clear that there are two key skills necessary to succeed in economics. One is a sound knowledge of underlying theory and concepts and the other is an ability to apply this to the world around them and to unfamiliar contexts. The more candidates are exposed to such situations in their everyday learning, the more success they will have in the final exams.



WJEC
245 Western Avenue
Cardiff CF5 2YX
Tel No 029 2026 5000
Fax 029 2057 5994
E-mail: exams@wjec.co.uk
website: www.wjec.co.uk