

Examiners' Report/  
Principal Examiner Feedback

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Pearson Edexcel  
International Advanced Level (IAL)  
Economics (WEC02) Unit 2

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## **Introduction**

Around 60% of candidates attempted Q9 rather than Q10. Fortunately, candidates who attempted Q9 tended to perform better on average than those who attempted Q10.

As mentioned in previous reports, more work is required on the interpretation of charts, graphs and numerical data. Question 4, for example, discriminated between candidates who were able to interpret graphical data and those who were unable to do so. Distinguishing between the rate of inflation and changes in the average price level showed some very common misunderstandings. Again, as mentioned in previous reports, candidates need to learn precise definitions and have a suitable level of experience interpreting and analysing macroeconomic data.

For supported multiple choice questions, simply repeating the stem of the question or simply rejecting by saying "it cannot be A because it is B" is not going to achieve a mark. A rejection point must be explained to be awarded a mark. It is also worth mentioning here that, in keeping with all previous series and with WEC01, a rejection point has to be explicitly referred to in order to be awarded a mark.

The use of data and context is very important in Section B. In some cases candidates were completing purely generic responses, making no reference to the data or to their own examples, therefore not really answering the question.

Diagrams must be drawn and labelled correctly for full credit. There were numerous examples of either partially drawn AD/AS diagrams or incorrectly labelled diagrams.

## **Section A**

### **Q1**

This question was generally well answered. Candidates needed to identify the link between investment in education and training to LRAS, growth and the price level. Candidates who identified the investment as a supply-side policy were also rewarded.

Remember that candidates can achieve 3 marks for the explanation even if they get Part A incorrect; rejection marks are available even if part A is wrong so candidates should be encouraged to explain why at least one of the distractors is not correct.

### **Q2**

This question was generally well answered. The majority of candidates were able to calculate and comment upon the deficit on the current account.

The rejection points had to be explained or developed to some extent to be rewarded with a mark. This could be achieved through an accurate calculation.

### **Q3**

Many candidates performed quite well on this, many achieving full marks for Part A. Fewer candidates were able to explain why the AD may increase or why the SRAS may decrease.

Rejection marks were awarded for explaining why either the AD or SRAS movement was incorrect in the diagram.

### **Q4**

This question was not answered as well. Candidates seemed to have difficulty distinguishing between the rate of inflation and deflation. It is important that candidates understand the difference between inflation, disinflation and deflation.

### **Q5**

This question was generally well answered. The majority of candidates were able to calculate GDP per capita. If the correct calculations were entered into the table to support the selection of the correct key, then 3 marks were awarded for Part b. It is important for candidates to practice such calculations in class so that they are prepared for such questions.

### **Q6**

Again, this question was answered well. The question tested understanding of factors determining changes in AD. It is to be assumed that candidates learn and understand how changes in the components of AD may affect real output and the average price level.

### **Q7**

This was quite well answered. It was pleasing to see that centres had looked at the economic cycle and the characteristics of recession.

Again, it is worth pointing out that rejection points needed to be explicitly referred to and explained to be awarded a mark. It is necessary to state that "Option D is not correct because..." to be awarded a rejection mark.

## **Q8**

Again, this question was answered reasonably well. The question was intended to test understanding of the circular flow of income model. Candidates need to be able to define injections and withdrawals and use the concepts to analyse a specific context.

## **Section B**

More candidates attempted Q9 rather than Q10 for Section B.

As in previous series, there were many formulaic answers which failed to apply knowledge to the data/economies in question or even to their own examples. Also, there was again some confusion between the "causes" and the "effects" of policies or changes in economic variables such as inflation. There were clear gaps in knowledge, especially in relation to the trade-off between inflation and unemployment.

## **Q9a**

This was reasonably well answered. The questions asked for 2 possible reasons for (causes of) falling growth since 2011. If candidates only provided one reason then they were only able to achieve 3 marks. Each reason had to be explained, in context, for full marks to be developed.

## **Q9b**

This was reasonably well answered. There were so many ways to achieve the marks, explaining how CPI is constructed and data references, it was surprising that the mean mark was not higher. Candidates need to learn how a weighted index is constructed as well as some of the limitations of the measurement.

## **Q9c**

We were looking for an explanation of the likely impact upon AD and LRAS, as well as on growth and inflation. Many candidates did at least one of these but there tended to be too many generic responses that did not use the data provided or other relevant examples. Evaluation marks were often low, although there were a wide range of marks available. Candidates need to be encouraged to consider some of the potential costs of growth, as well as the benefits.

### **Q9d**

Many candidates did not relate their discussion to the data provided. Extract 2, for example, details changes in commodity prices. Very few candidates actually used this in their analysis and therefore found explanation difficult.

It may help if candidates are presented with similar case studies in class and asked to discuss how and why the current account balance of an economy may change through time. It would also be useful to discuss the likely macroeconomic effects of fluctuating current account balances upon an economy.

### **Q9e**

Some candidates discussed the causes of inflation and did not talk about the impact of inflation on living standards. The best responses discussed the impact of inflation upon real incomes and then upon living standards. The stronger evaluative responses discussed the different ways in which living standards can be measured, apart from income.

### **Q10a**

In effect, it was simply testing the knowledge and understanding of unemployment measures. References to changes in the unemployment rate were awarded applications marks. Candidates need to use the data provided to support their explanation.

### **Q10b**

In effect, it was simply testing the knowledge and understanding of the impact of investment on the economy of Ireland. With low consumption, investment becomes a more important component of AD. Too few candidates understood this and too many failed to make reference to the data provided.

### **Q10c**

Many candidates failed to link net outward migration to a decrease in size of the labour force. They did not therefore reference falling LRAS or productive potential. Some seemed to believe that net outward migration is a good thing, in itself, also because shortages of labour tend to increase wages and reduce unemployment. This view was then not evaluated. It is important that candidates understand labour as a factor of production, the quality and quantity of which is a determinant of LRAS.

### **Q10d**

This question required more than a generic response, outlining the Phillips Curve for example. It required the candidates to use the data in Figure 2. In fact, while some of the data supports the trade-off between inflation and unemployment, some of it appears to contradict the model. Between 2012 and 2014, for example, inflation was falling along with unemployment. Candidates who picked-up on this tended to do well, with some good evaluation marks.

### **Q10e**

In general, performance was much better than on Q10d. Many candidates were able to explain how demand-side policies might impact upon consumption and were able to illustrate this with suitable AD/AS diagrams. Evaluation marks were awarded for candidates who showed an awareness of the likely impact upon inflation and the use of supply-side policies in an effort to boost LRAS.

### **Conclusion**

Based on their performance on this paper, candidates are offered the following advice:

- Learn accurate definitions and use these to define terms in the stem of supported multiple choice question.
- Remember to look out for questions that ask you to evaluate or assess your answer. In such questions, try to apply your evaluation to the specific analytical point that you have just made so that responses are not one-sided.
- Be careful with timing throughout the exam, and try to incorporate some time for planning your answers to the longer questions. This then ensures that there is sufficient content and evaluation for the higher marks.
- Use accurate diagrams and refer to them in explanations for KAA and evaluation marks. An accurate diagram, with explanation in context, can shift a response from Level 2 to Level 3.
- Use the data provided to illustrate or support your analysis and evaluation.

## **Grade Boundaries**

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<http://www.edexcel.com/iwantto/Pages/grade-boundaries.aspx>