

# ECONOMICS

Paper 9772/01

Multiple Choice, Short Answers and Data Response

## General comments

Overall the Paper appears to have worked well in providing the candidates with the opportunity to demonstrate and use their economic knowledge. It was accessible to all and acted as a good discriminator between candidates. It was evident that candidates found the multiple choice questions to be the most challenging part of the paper. However it is felt that over time, candidates will become more familiar with the type of question being used and to quote one of the advantages of the division of labour, 'practice makes perfect'. Structurally **Section A**, along with the final parts of **Section C**, aims to provide a clear means of discriminating between the better candidates, as well as still being accessible to all.

At the top and bottom end candidates did consistently well/poorly on all three sections, it was evident that some candidates did better on **Section A** relative to their performance on **Section B** and **Section C** and vice versa. Inevitably with multiple choice questions there is always the possibility of some 'lucky guessing' but, in some cases, the smaller amount of time that appeared to have been spent on the later two sections – and hence by inference the greater time spent on **Section A** – appears to have been a major influence on the spread of marks. We are emphasising the importance of time management by printing advised timings for each section of Paper 1 on next summer's exam paper, as we already do for Paper 2.

## **Section A**

### **Multiple Choice Questions**

Range of marks 9 – 27 (30% – 90%)

Mean mark 17.6 (58.7%)

Mode mark 17 and 18

Following comments from Centres, there were two questions for which two answers were accepted. For **Question 6**, whilst it was assumed that candidates would recognise the shape in the diagram to be that of a rectangular hyperbola and hence realise that the answer was B (with all costs being fixed costs), it was acknowledged that the MC curve shown in D would have resulted in a constantly falling ATC curve and hence this answer was also accepted. It should be noted that the majority of those scoring highly on the multiple choice questions did in fact choose B but a minority of those had chosen D, and the Examiners were keen not to disadvantage any candidates who had positively chosen D for the reasons stated above.

Similarly for **Question 16**, whilst the expected answer was D, it was decided that with the same reasoning – namely that fewer people would be employed – one could also chose B, as more mothers or fathers withdrew from the workforce to be with their young children.

## **Section B**

Generally candidates found this to be a relatively straightforward part of the paper. Many candidates were able to score highly on these questions, provided that they followed the instructions in the questions, particularly through using examples in their answers and being precise in their use of economic terminology.

### **Question 1**

- (a) Many candidates stated that 'real' values allowed inflation to be taken into account but failed to explain why this was important and so missed out on the second mark

- (b) There were many good answers to this part but many candidates wrongly used the terms income and wealth on an interchangeable basis. Also many answers talked about, for example, India having a higher GDP than other countries but with a larger population, failing to appreciate that 'per head/per capita' would take this into account. Whilst it had been expected that the example would have been a specific country, some good numerical examples were given and these also received full credit.

### Question 2

- (a) Very few candidates had any problem with this and full marks were awarded in most cases
- (b) Some candidates confused 'technological unemployment' with 'structural unemployment' and gave the example of when a worker is replaced by a machine. Many others, who did give a correct example, failed to explain 'why' this unemployment had arisen. Those candidates who explained that it was due to 'cheaper labour costs elsewhere' or 'the loss of competitiveness for the firms' for example, gained the extra mark available.

### Question 3

- (a) Most candidates were able to answer this question and very few confused 'appreciation' and 'depreciation'.
- (b) There were some good answers that concentrated on the fact that many orders take time to change and that it takes a while for new potential suppliers to be located etc. The weaker answers provided a classic 'Blackbird' answer, (What's a Blackbird? A bird that's black!), and said that time lags were important because it took time before there were any effects, without explaining 'why'.

### Question 4

- (a) Most candidates were able correctly to identify that when Government expenditure exceeded Government revenue, a fiscal deficit would occur.
- (b) Whilst it had been expected that most candidates would give an example relating to the 'automatic stabilising' nature of fiscal policy, probably not surprisingly, given the past couple of years, many candidates gave accurate examples of discretionary fiscal policy, aimed at limiting the effects of a recession. Many candidates gave the example of the recent reduction in VAT to 15% in their answers.

## Section C

### Question 5

The aim of this section is to test both candidates' ability to read articles and ability to pick out the salient parts, and also to apply their knowledge of economics to particular situations presented to them. In the final two questions in this section, there are 60% of the marks available for evaluation and most candidates responded to the wording of the questions to ensure that they were able to gain reasonable marks in this area.

- (a) Most candidates realised that the answer was contained in lines 3–5 although some missed the point about 'peak' and based their answer around lines 9–11.
- (b)(i) Most candidates who understood the data contained in Table 1 were able to come up with the correct answer. Somewhat surprisingly, several candidates merely stated that 'demand would go up' and ignored the presence of 10% in the question
- (ii) To get the second mark, candidates had to go further than just explain that the two goods were 'substitutes' – especially since technically it is the food that can be grown on allotments which is the substitute to food from supermarkets.
- (c) This was the question that produced the most disappointing answers on the entire paper. A great many candidates gave a diagram that showed an initial market clearing equilibrium rather than one where at the current price there was excess demand, as was clearly stated in the article. Those

candidates who appreciated the correct initial diagram were able to gain full marks relatively easily. There was also quite a bit of confusion concerning people buying allotments rather than renting them. Most of this seemed to stem from a misunderstanding/misreading of lines 14–15 “...as land has been sold to private property developers by local councils strapped for cash.”

- (d) At the top end there were some very good answers that gained full marks. The last two questions in **Section C** are asking candidates both to use their economic knowledge in analysing the particular case presented to them in the stimulus material, and also to use the higher order skill of evaluating the various points. The key words in this question were ‘how far’ and ‘effective’. Weaker answers tended just to explain what the ‘non-market’ approaches were, but failed to go any further. Given the question specifically asked about the ‘approaches’, the few candidates who mentioned just one approach were limited to a maximum of 6 marks.
- (e) In order to achieve high marks on this particular question, it was necessary for candidates to understand the context in which the statement “...must be to make more land available” was made. Namely, “...if food prices are to remain high and councils and the government are truly serious about improving access to land for people to grow their own fruit and vegetables as a means of improving health”. At the top end several candidates produced excellent answers which questioned both the prospect of food prices remaining high and also looked at other alternative ways that a government could use to improve health. Weaker answers often just assumed that there must be more allotments and hence just looked at whether more land was the way to achieve this.



# ECONOMICS

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Paper 9772/02  
Essays

## General Comments

The six essay questions were all of the same format, and aimed to set similar challenges to candidates; all were marked out of 25, with 17 of these marks allocated to the quality of economic analysis demonstrated in the answer, and the remaining 8 marks awarded for evaluative skills. Each of the six essays related to a major part of the syllabus, with the three in **Section A** being primarily on microeconomic topics and the three in **Section B** being on macroeconomics. There were no rubric infringements, all candidates attempting 2 questions from one section and one from the other. Candidates were given the advice to spend 40 minutes writing each essay, and there was very little evidence that candidates found there to be a major time constraint, at least in the sense that almost all were able to write at reasonable length, and to come to a conclusion, on each of their answers, including the one which they seemed to have attempted last.

The general standard of scripts was high, with a comfortable majority deemed to be the standard necessary to be awarded a distinction on this paper. Candidates generally showed an easy familiarity with the basic economic concepts and principles expected at this level, and were also able, for the most part, to explain the central economic theory relevant to each question they attempted to at least an adequate standard; some were capable of more detailed and accurate such explanation than others, of course, but the overall standard of economic analysis displayed was quite impressive.

What was rather less generally impressive, however - and undoubtedly the two areas in which greatest improvement is possible in the future - was the quality of evaluation which answers demonstrated, and the extent to which answers actually focused on answering the precise questions asked. It was generally in these two areas that most differentiation occurred between scripts. At the top level, answers often showed a remarkable sophistication in their understanding of the limitations of basic economic concepts and principles, as these applied in the particular contexts of the questions asked; they also invariably were quite explicit in the way that they addressed the specific terminology of the precise question set. These answers were a pleasure to read. However, there were also quite a few answers which were rather frustrating to read, in that it was clear that they could so easily have been of a much higher standard if the candidate had focused his or her often good grasp of relevant material more closely on the precise demands made by the question. The consideration below of the individual questions will clarify this issue further, and the mark-scheme makes suggestions for possible ways in which candidates might have demonstrated appropriate evaluative skills in the context of the different questions.

## Individual Questions

### **Question 1**

The question was generally answered quite well, with most candidates who chose **Question 1** showing that they had a good grasp of non-standard forms of product demand curves. Thus, the Giffen case, and/or the case of goods of ostentation, were usually used to illustrate that the demand for a product will not 'always fall' when its price rises. Further, the best answers showed a good understanding of the Giffen case, usually accurately using the concepts of income and substitution effects, with or without supporting indifference curve analysis, to explain it, and also using entirely appropriate examples. A few less good answers explained the Giffen case inaccurately, or sometimes confused it with that of goods of ostentation.

However, a more common reason for candidates to underachieve on this question was a failure to provide the basic analysis to explain why a demand curve normally slopes downwards. Instead such answers tended just to assume this, and this meant that they were generally unable to access more than Level 2 in the marks available for Theory and Analysis. The best answers, of course, showed an excellent understanding of one of the economists' explanations of downward-sloping demand.

## Question 2

Many answers to this question were excellent, showing good understanding of the market structures involved, and also of the economic concept of efficiency. They then generally were also able to link together these two aspects, as the question required, and to explain different circumstances when one or the other structure was likely to result in more or less 'efficient' outcomes. Weaker answers were relatively rare; they tended either to confuse some aspect of efficiency, or to explain one or other market structure's 'efficiency' inaccurately.

A more common reason for variation in the quality of answers to **Question 2** was to do with the quality of the evaluation which answers attempted; only the very best went much further than explaining different links between the market structures and efficiency, with no reference to any of the issues raised in the mark scheme's suggestions, for example.

## Question 3

This was both the least popular and the least-well answered question in **Section A**. Most of those who answered it recognised that explanation of reasons for government intervention in product markets was required, and generally did this quite effectively; examples used were usually some combination of public goods, merit/demerit goods, goods which generate externalities, and goods produced by firms with monopoly power. Further, the better answers also considered some problems of state intervention in such cases. However, very few answers went any further. In particular, most completely ignored the 'given the lack of perfect knowledge' element of the question, which clearly restricted their ability to access the higher levels of the mark scheme; and many also made little attempt to address the 'and therefore markets should be left alone' element in a considered or balanced way.

## Question 4

This question was attempted by quite a large number of candidates, and generally done reasonably well, though there was perhaps a slightly disappointing lack of really good answers. These required full analysis of the link between economic growth and an improvement in living standards, consideration of a government's 'primary' economic objective and discussion of the 'extent to which' there was agreement with the stated view. Most answers concentrated on one or two of these elements, but very few addressed all three convincingly. In particular, quite a few answers tended to do little more than explain how economic growth results in improved living standards, in a surprisingly uncritical way. Quite a number of others merely stated that governments have a range of different macro-economic objectives, without really addressing the issue of which, if any, might be regarded as the 'primary' one.

## Question 5

This was the most popular of the **Section B** essays, and almost all who answered it showed that they had a good knowledge and understanding of monetary and fiscal policies; only a small minority demonstrated confusion between the two - although some answers introduced the category of supply-side policies without recognising that the examples they quoted were often in fact fiscal policies. The factor which resulted in most variability in quality of answers to **Question 5** was the extent to which they addressed the issue of 'underlying economic problems'; the weaker answers tended to leave it to the reader to interpret what such problems were, whereas the better answers invariably addressed the issue explicitly.

## Question 6

This was the least popular of the **Section B** questions, though there were still quite a number of answers to it, and most were of at least an adequate standard. The concept of comparative advantage as the basis for trade was generally well-understood, even though explanations were not always completely accurate, and consideration of the assumptions on which comparative advantage theory is based was relatively rare. Most answers also at least attempted to go further, by considering other influences on the 'pattern of UK trade' - such as the UK's membership of the EU, or recent growth of influence in world trade of China and other Asian economies. As for all the other questions on this paper, though, the main factor determining the final level of achievement was the extent to which answers actually addressed the precise question asked; thus, in this case, the best answers explicitly picked up both the 'main influence' and the 'continues' elements of the wording of the question.

# ECONOMICS

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Paper 9772/03  
Investigation

## General comments

The overall standard of answers was good and most candidates had clearly conducted reasonably thorough preparation for this examination. The very best answers demonstrated an ability to engage fully with the question and bring their investigation findings to bear profitably, often by using data to support points or by offering a fresh perspective.

Answers were generally well structured and almost all candidates recognised the need to engage in discussion throughout the answer. However, conclusions were often superficial and demonstrated little real attempt to consider the weight of evidence presented in the answer and exercise some final judgment relating to the question. Some candidates offered their conclusions at both the beginning and the end of their answers which seemed rather wasteful of precious time in the examination.

Many candidates demonstrated limited evidence of individual investigation and often this led to rather generic answers to specific questions. In many cases answers included a significant amount of material which was not pertinent to the question at hand but had clearly been well rehearsed. They were not penalised for this but time spent on this material inevitably reduced breadth and/or depth elsewhere.

Illustrative examples were used to good effect in almost all of the candidates' responses. However, in many cases, the examples tended to be general or anecdotal and were often not supported with relevant statistics.

## Comments on specific questions

### **Question 1 Transport and the Environment**

This was a popular question and was answered quite well by most candidates. Candidates had a clear understanding of sustainability, although few were able to draw out the subtle differences between different shades of interpretation of this concept. Understanding of other key economic concepts, generally related to market failure and government intervention, was also good, although few chose to consider the macroeconomic dimensions to the question. Many answers used a diagrammatic representation of negative externalities effectively, although no candidates accurately used a diagram to illustrate the externalities arising from congestion.

Understanding of policy was very broad and few candidates were able to refer to more than one or two specific policies. The concept of 'road-pricing' caused confusion. Some answers treated any policy which charges motorists, including vehicle excise duty and fuel duty, as examples of 'road-pricing'. This is not surprising as the term can be used rather loosely in mainstream media such as newspapers and Wikipedia. Candidates are encouraged to make use of the economics texts listed in the Teachers' Guide to clarify understanding. Better answers were able to recognise the difference between these general taxes on motoring, congestion charging and fully-fledged road pricing schemes. The best answers were able to recognise the difference these policies could make to the sustainability of transport policy.

There was some confusion between statements of government aims and actual policies. Many answers also referred to the Eddington Report and Stern Review as if they were descriptions of policy. There was also a general lack of critical awareness when referring to these documents and few candidates recognised the normative nature of some of their content. This approach also led to confusion when dealing with the five goals set out in the DfT document 'Towards a Sustainable Transport System'. Many answers did not recognise that, of these five goals, only the first two really deal with the *economic* concept of sustainability.

Very few answers considered a wide range of transport modes, with many restricting their analysis to one or two modes. Aviation was surprisingly absent from many answers considering its high profile in discussions

about transport emissions in the mainstream media. There were almost no references to freight transport, shipping, walking or cycling.

Economic concepts which were discussed at length, but were not really relevant to the question included; cost-benefit analysis, privatisation, market structures and natural monopoly. The last two often included diagrams with lengthy explanations which were unlikely to gain many marks.

Conclusions tended to be very conservative, stating that some parts of policy were sustainable whilst others were less so. Few candidates were able to offer a supported judgement on the extent to which the overall thrust of policy was likely to increase sustainability or not.

## **Question 2 China and the Global Economy**

This was the most popular question and the vast majority of candidates answered it competently. There were some excellent answers demonstrating a depth of understanding which can only have been achieved through independent investigation by the candidates concerned.

Good use was generally made of both macroeconomic and microeconomic concepts in the analysis. Candidates were generally able to appreciate that the impacts of growth vary between nations, particularly between developed and developing economies. Many recognised that the perspective of producers and consumers may also differ. However, few answers embraced all of these perspectives and many concentrated too much on the relationship between China and the US economy. This is clearly a significant relationship but the question asked candidates to consider the impact on the global economy rather than on one part of it.

Many answers suffered from a lack of selectivity and insufficient focus on the question. Some contained lengthy explanations of Chinese history and/or analyses of the internal factors leading to China's impressive growth rates, neither of which was directly relevant. Chinese holdings of US government debt and the 'undervaluation' of the Yuan were also covered at great length in many answers. These were clearly relevant issues but were often dealt with in an overly descriptive manner and not effectively applied to the question.

Some candidates struggled to maintain an objective approach and to restrict their answer to economic analysis. Many clearly regarded China as a negative force and a threat to the 'way of life' of developed nations. This perspective was rarely substantiated with rigorous economic justification. Issues relating to competing political systems, human rights and geopolitical struggles were clearly peripherally relevant in this answer but candidates must remember that their answer should be rooted in economic analysis.

The best candidates were able to recognise that the Chinese economy is rapidly changing and its relationship with the world economy is also in flux. A clear understanding of the very latest developments was a good indicator of meaningful independent investigation. Weaker candidates often had a rather static and outdated impression of the Chinese economy, a surprising number arguing that it can only produce low quality, low-tech, labour intensive products. They are encouraged to look at the back of their iPods, phones and laptops in order to dispel this misconception.

Conclusions were often rather superficial and relatively few answers contained clearly supported judgements at the end. The question offered an opportunity to discuss a very wide range of possible conclusions and it was hoped that candidates would have discussed questions like this as part of their investigation. It may be that candidates were not brave enough to engage in such debates in the examination and preferred to stick to the safety of well-rehearsed analysis.

## **Question 3 Expansion of the EU**

This was the least popular of the three questions attempted but was generally answered quite well. Most candidates were able to utilise relevant theory in order to discuss the benefits and drawbacks of enlargement and many made an attempt to consider the ten-year timescale referred to in the question.

Good use was made of relevant economic theory, including concepts not on the specification such as Solow's exogenous growth model. However, some candidates spent a great deal of time drawing diagrams and writing at length in order to explain the theory, rather than applying it to the question. Candidates should be reminded that they do not need to explain concepts and models from first principles but should seek to demonstrate their understanding by using them accurately in context.

Most answers were illustrated with examples of both the benefits and drawbacks of enlargement to date. However, the examples were not always as selective as they could have been. Several answers asserted that EU airline reform was a product of enlargement whilst others argued that the economic crisis in Greece was a salutary lesson in the hazards of enlargement. In neither case was the link with enlargement made clear. These errors were symptomatic of a wider issue with some answers which were insufficiently focused on the enlargement process. These responses often read more as an overarching discussion of the merits and drawbacks of either the entire EU project or of specific components of it such as the Single Market and/or the Euro. The best answers contained specific examples related to the new member states of the EU and supported by data on the benefits and drawbacks to date.

A few answers engaged in lengthy speculation regarding further potential enlargements. This was a relevant issue but generally led to these candidates losing focus on the question.

Meaningful conclusions were hampered in many cases by a lack of good data relating to the experience of enlargement to date and a lack of precision in understanding the aims of enlargement in economic terms. Few candidates chose to set these objectives out clearly at the start of the answer, which would have given them a useful set of criteria to evaluate against.

#### **Question 4 The Pensions Crisis**

No candidates answered this question. This is a shame as it is a compact and highly relevant topic area which has been very much in the news recently, and it is likely that it will become a highly significant issue for many of the candidates in later life.