

# ECONOMICS

**Paper 9708/11**  
**AS Level Multiple Choice**

Question Number	Key	Question Number	Key	Question Number	Key
1	D	11	D	21	B
2	A	12	A	22	C
3	C	13	B	23	C
4	A	14	C	24	C
5	C	15	D	25	B
6	B	16	B	26	A
7	A	17	A	27	D
8	C	18	B	28	C
9	B	19	B	29	A
10	D	20	C	30	C

## General comments

**Questions 1, 10, 14, 16, 22 and 29** were answered successfully by more than 80 per cent of the candidates. However, **Questions 13, 15, 27 and 28** were answered correctly by less than 30 per cent of the candidates. Candidates performed significantly less well in the macroeconomic questions.

## Comments on specific questions

**Question 13** required candidates to understand that a supply curve with a zero elasticity is a vertical line and so supply is fixed. Therefore, any specific tax will have no effect on the supply curve so that equilibrium price remains unchanged, without a change in the demand curve. Therefore, any tax will be entirely paid by the supplier. This makes option **B** the correct answer, chosen by a quarter of the candidates. Most candidates wrongly identified option **A** as the correct answer, but this ignores the fixed nature of the supply curve. Options **C** and **D** were also popular, which suggests a lack of understanding about the meaning of a zero elasticity of supply.

**Question 15** was answered correctly by less than 10 per cent of candidates and shows a continued misunderstanding of index numbers. Given index numbers for CPI across six years, candidates needed to understand what this data implied about inflation. Option **C** was selected by over half of the candidates. However, CPI is a **year-on-year** change, so the level of inflation in 2010 was  $-1.9\%$  (a decrease from 104 to 102). Option **A** (prices increased each year) was also a popular answer, but this ignores the fall in the index in 2010. Option **B** was not popular, as most candidates appeared to recognise that prices increased the most (by 4%) in 2009. This left option **D** as the correct answer, with inflation recorded as 2.8% (the index increased from 108 to 111) which was the smallest rise in prices.

**Question 27** was a demanding question as it required consideration of the reciprocal nature of exchange rates between two trading partners. The question asked about an increase in an economic factor in country Y which would lead to a fall in the exchange rate for country X (and so an increase for country Y). Options **A**, **B** and **C** would all suppress country Y's exchange rate, as they would lead to an increase in imports and hence an increase in supply of country Y's currency. Option **D** is left as the correct answer, chosen by a quarter of candidates, as this would lead to less imports into country Y, so less of its currency would be supplied, and an increase in its exchange rate would be the result.

**Question 28** tested candidates' knowledge of which item was not a component of the current account. The correct option **C** (which is part of the financial account) was answered correctly by just over a quarter of candidates. Option **A** proved to be the most common answer, selected by 40 per cent of candidates, but government aid is part of secondary income of the current account. Option **D** was also a popular wrong answer, although dividend payments are part of primary income of the current account.

# ECONOMICS

**Paper 9708/12**  
**AS Level Multiple Choice**

Question Number	Key	Question Number	Key	Question Number	Key
1	C	11	C	21	C
2	D	12	D	22	A
3	A	13	B	23	D
4	D	14	B	24	A
5	D	15	B	25	D
6	D	16	A	26	C
7	C	17	C	27	D
8	B	18	D	28	B
9	A	19	C	29	A
10	D	20	C	30	B

## General comments

**Questions 1, 2 and 29** were answered successfully by more than 80 per cent of the candidates. However, **Questions 7, 14 and 21** were answered correctly by no more than 30 per cent of the candidates. Candidates performed less well in the macroeconomic questions.

## Comments on specific questions

**Question 7** asked candidates to consider the conditions required for the supply of a firm's good to be price elastic. This requires the firm to be able to respond quickly to any change in price. As a 'very labour-intensive firm', it would need easy access to more labour which would be more likely if the firm's labour is unskilled and there is a large pool of available labour (high unemployment). These conditions lead to the correct option being **C**. The most popular option was **B** which is the opposite of the conditions required. This would lead to the firm's good being price inelastic. Option **A** was also popular, but the need for skilled workers would slow down the ability of the firm to recruit more labour quickly, even if unemployment is high.

**Question 14** is a challenging question about the tax revenue collected from the introduction of a tax. A 10 per cent tax (\$0.10) would lead to a 15 per cent decrease in output, to 850 units. This is possible to calculate as we know that the burden of the tax will fall fully onto the consumer if supply is infinitely price elastic (a horizontal supply curve). This leads to tax revenue of \$85 ( $0.10 \times 850$ ) and the correct option of **B**. Option **C** (\$100) was the most popular option which suggests that candidates wrongly thought that an infinitely price elastic supply curve is vertical, so that output would remain fixed at 1000 units. Option **D** (\$150) was also a popular answer, but this ignores the fact that demand will decrease as the price paid by the consumer increases.

**Question 21** about the short and long run effects of supply-side policy, tempted more than half of all candidates to choose option **A**. This option would lead to higher real output in the future, but the extra spending on education would also increase real output in the short run. This argument is also true for options **B** and **D**, although these were much less popular options chosen by candidates. Option **C** is the correct answer, as reduced import barriers will lead to more imports in the short run (leading to a reduction in aggregate demand). However, the increased level of free trade (which will especially help to reduce imported raw material costs and increase beneficial competitive pressures) will lead to an increase in real output in the future.

# ECONOMICS

**Paper 9708/13**  
**AS Level Multiple Choice**

Question Number	Key	Question Number	Key	Question Number	Key
1	D	11	A	21	C
2	B	12	B	22	A
3	D	13	B	23	A
4	B	14	A	24	A
5	B	15	B	25	A
6	B	16	C	26	A
7	C	17	D	27	B
8	B	18	B	28	C
9	C	19	B	29	B
10	B	20	D	30	B

## General comments

**Questions 1, 2, 4, 5, 7, 10, 14, 17, 23 and 24** were answered successfully by more than 80 per cent of the candidates. Only **Questions 18 and 26** were answered correctly by less than 40 per cent of the candidates. Candidates performed significantly better in the microeconomic questions.

## Comments on specific questions

**Question 18** saw the majority of candidates choose either option **A** or **B**. This suggests that they were able to correctly calculate net domestic product at market prices (gross domestic product at market prices minus capital consumption). However, these candidates were then split fairly evenly when calculating indirect tax revenue. The correct option is **B**, as the formula for gross value added at basic prices is gross domestic product at market prices minus indirect taxes plus subsidies. This means that the value for indirect taxes must be \$25 000. Candidates who selected option **A** would appear to have made a mistake with their order of mathematical operations.

**Question 26** is another quantitative question, based on the production possibility curve and trade. Although only the second most popular option, a third of candidates correctly chose option **B**. If country X specialises in producing cars it will no longer produce 1000 trucks. Trading the extra 5000 cars it will now be producing (at an exchange rate of one truck for four cars) will mean it will import 1250 trucks. This means country X will have 250 **extra** trucks, because of specialisation and trade. Option **C** (1250 trucks) was the most popular option, chosen by half of the candidates, but this represents how many trucks country X will now have, not the **extra** trucks compared to before specialisation and trade taking place.

**Question 27** attracted many candidates to opt for two of the incorrect options. The question asked for the **most likely** cause of a current account deficit. The correct option is **B**, chosen by more than 40 per cent of the candidates. High inflation is likely to lead to high export prices and may force households to buy relatively cheaper imports, both potentially leading to a current account deficit. Option **A** was selected by a third of the candidates, but a recession in the domestic economy is likely to lead to a fall in imports and a focus by domestic firms on export markets, both potentially improving the current account. Option **C** was less popular but still chosen by close to a quarter of candidates. This is an incorrect option as an undervalued exchange rate would lead to higher import prices and cheaper export prices, both of which would be expected to improve the current account.

# ECONOMICS

Paper 9708/21  
AS Level Data Response and Essays

## Key messages

- Candidates need to ensure they focus on the particular ‘command’ or ‘directive’ word that is being used in a question, such as ‘**assess**’, ‘**consider**’, ‘**describe**’ or ‘**explain**’.
- It is important candidates understand that in some questions, a certain number of marks can be awarded for ‘**evaluation**’. These were **Questions 1(c), 1(d), 1(e)** and all questions in **Section B** and **C**. There is often a clue in the question to guide candidates towards this, such as in **Question 1(c)** which required candidates to consider the extent to which having the fifth highest inflation rate in the world was likely to be a problem for Argentina’s economy, or in **Question 3(a)** which required candidates to explain, with the help of a diagram, the significance of a position within a market economy’s production possibility curve (PPC) and consider whether such a position was likely to be permanent, or in **Question 5(b)** which required candidates to assess whether an economy would always benefit from having a surplus on the current account of its balance of payments.
- Candidates need to ensure that diagrams are correctly drawn and clearly labelled. There were a number of examples of poor labelling and, in some cases, no labelling at all. In addition to the question which explicitly required a diagram to be drawn (**Question 3(a)**), there were a number of questions where diagrams could have been used to good effect to support an answer, such as **Question 1(d)** and **Question 4(a)**.
- It is important that candidates read the questions very carefully to avoid making an error in their answer. For example, in **Question 1(a)**, some candidates described what happened in all of the months shown in Fig 1.1 rather than describing the overall trend shown in the annual inflation rate in Argentina over the period from February 2021 to January 2022, while in **Question 2(b)**, some candidates wrote about the price elasticity of demand for agricultural and manufactured products rather than the price elasticity of supply of such products.

## General comments

It was obvious in some answers that candidates had not looked closely at the ‘command’ or ‘directive’ word being used in the question. It is important that candidates do recognise whether they are being asked to ‘**assess**’, ‘**consider**’, ‘**describe**’ or ‘**explain**’ something.

It is also important that candidates focus on whether there is any additional guidance provided in a particular question, such as in **Question 3(b)**, where candidates were required to assess whether consumers **always** benefitted when the government of a mixed economy reduced the role of the market mechanism in allocating resources or in **Question 4(b)**, where candidates were required to assess whether a government should **always** aim for an expansionary fiscal policy rather than a contractionary fiscal policy.

## Comments on individual questions

### **Section A**

#### **Question 1**

- (a) Many candidates were able to correctly describe the trend shown in the annual inflation rate in Argentina over the period from February 2021 to January 2022, recognising that the overall trend during this period had been upward by 10.0% from 40.7% in February 2021 to 50.7% in January 2022, while at the same time recognising that there had been a period of disinflation with a downward trend from 52.5% in September 2021 to 50.7% in January 2022. Unfortunately, some candidates wrote about what was happening in each of the months shown in Fig 1.1, or about

different fluctuations at various times, rather than focusing on the overall trend over the whole period.

- (b) Many candidates were able to explain what was meant by 'the real interest rate will be negative' in Argentina in January 2022, stressing that this meant that the interest rate was lower than the inflation rate in Argentina with the result that the real interest rate would be  $-10.7\%$ . A number of candidates simply explained what was meant by a real interest rate, making no reference to the fact that it was negative in this particular context, and such answers could not be given any marks.
- (c) Many candidates were able to consider the extent to which having 'the fifth highest inflation rate in the world' was likely to be a problem for Argentina's economy, in relation to such aspects as the reduced purchasing power of money, less competitive exports, menu costs, shoe leather costs, uncertainty in the economy and the possible impact of this on investment, and the possible negative impact on savers and fixed income earners. The consideration also needed to take into account potential benefits, such as a possible increase in profits of firms and the fact that there would be a lower debt in real terms, but very few candidates referred to potential benefits. Very few candidates made any attempt to offer any evaluation despite the fact that the question explicitly asked them to consider the **extent** to which having the 'fifth highest inflation rate in the world' was likely to be a problem for Argentina's economy.
- (d) The majority of candidates were able to explain and analyse the various possible benefits and advantages of introducing maximum prices on 1432 products in Argentina. The benefits included keeping the prices of many products, including essential foods and basic necessities, lower than they would otherwise be, contributing to a possible reduction in the rate of inflation. The disadvantages included the creation of a situation of excess demand and a shortage and the possibility of a queue or waiting list, the existence of rationing and the creation of an informal market. A number of candidates included a diagram to help with their analysis. Relatively few candidates then went on to offer a meaningful evaluation or judgement of whether the potential benefits of introducing maximum prices were likely to outweigh the potential disadvantages. Many candidates simply offered a summary of what they had already written. It is important that candidates realise when they are required to offer some evaluation; this is why a careful reading of the question is so important.
- (e) A number of candidates made quite a good attempt to assess the potential benefits and limitations of using monetary policy to control inflation in a country such as Argentina. The potential benefits were assessed particularly well, especially in relation to how a contractionary monetary policy could lead to a reduction in aggregate demand, such as through increased saving and reduced borrowing as a result of an increase in interest rates. Some candidates then wrote about the disadvantages of monetary policy rather than its limitations, or about the disadvantages of inflation. The focus needed to be on the limitations of monetary policy as a way of controlling inflation, such as the possibility that a rise in interest rates would not have a significant impact on controlling inflation if demand was interest-inelastic. As in the previous question, many candidates did not attempt to offer any evaluation of the potential benefits and limitations of using monetary policy to control inflation despite the fact that the command word used in the question was 'assess'.

## Section B

### Question 2

- (a) In this part of the question, candidates were required to explain the determinants of supply for an agricultural product, such as rice. This was a broad question and candidates had a variety of determinants that they could explain, including physical factors, such as weather/climate and soil, institutional factors, such as land tenure and land reform, infrastructural factors, such as irrigation and storage facilities, and the price of rice and other agricultural products. Many candidates then went on to evaluate which of these determinants was likely to be of the greatest significance at the present time, with the majority of them focusing on the impact of weather conditions and climate change.
- (b) In the second part of the question, candidates were required to assess whether the supply of agricultural products was likely to be more or less price elastic than the supply of manufactured products. The majority of candidates were able to analyse what factors would affect the PES of different products, including the number of producers, the existence of spare capacity, the ease of storing stocks, the time period, the extent of factor mobility and the length of the production



process. Most candidates argued that PES was likely to be more inelastic for agricultural products, although a few believed that it would be more elastic for agricultural products than for manufactured products. The focus of the question was clearly on supply, but a number of candidates spent more time writing about demand than supply. Unfortunately, the quality of the evaluation was rather limited; it needs to be remembered that although eight marks are allocated to 'knowledge and understanding' (AO1) and 'analysis' (AO2) in the part (b) questions, four marks are allocated to 'evaluation' (AO3).

### Question 3

- (a) In this part of the question, candidates were required to explain, with the help of a diagram, the significance of a position with a market economy's production possibility curve (PPC) and to consider whether such a position was likely to be permanent. There were three marks available for the diagram and many candidates gained all three of these marks. However, this was not always the case. Some candidates labelled the axes 'price' and 'quantity' instead of 'manufactured goods' and 'agricultural goods' or 'consumer goods' and 'capital goods'. Some labelled the axes 'A' and 'B', but this is not detailed enough; they need to be labelled 'Good A' and 'Good B'. In some diagrams, the PPC did not touch the axes. Also, a number of candidates showed a position on the PPC, or outside the PPC, but not within/inside the PPC. Most candidates were able to analyse why there could be a position within a PPC, such as in relation to an inefficient use of resources, but not all candidates attempted to consider whether such a position was likely to be permanent. This shows the importance of candidates reading the whole of a question as carefully as possible.
- (b) In the second part of the question, candidates were required to assess whether consumers always benefitted when the government of a mixed economy reduced the role of the market mechanism in allocating resources. There were some good answers to this question, with candidates analysing the potential benefits of a greater role for the state, such as in relation to the greater provision of merit goods, such as education or health care. Some candidates misread the question and thought that it was asking them to assess the potential benefits of an increased role for the market mechanism. Another error was that some candidates focused on producers despite the fact that the question explicitly referred to consumers. Little evaluation was provided by the majority of candidates in terms of offering a comparison of the potential benefits and disadvantages of such a change, such as reduced consumer choice, despite the fact that four of the twelve marks available were for evaluation.

### Section C

### Question 4

- (a) In this part of the question, candidates were required to explain two possible causes of economic growth and consider whether the consequences of economic growth for an economy would always be positive. The majority of candidates were able to explain what was meant by economic growth and to analyse two possible causes of economic growth. These included an increase in the number of workers, an improvement in the quality of workers, such as in relation to the impact of education and/or training, a greater commitment to research and development, an improvement in the state/application of technology, an increased investment in capital stock, an increased mobility/flexibility of factors of production and the development of new export markets. A number of candidates used a diagram to good effect, even though this was not specifically asked for in the question. Most candidates then went on to consider the possible positive consequences of economic growth, such as a decrease in the rate of unemployment and an increase in the standard of living, but less consideration was given to the possible negative consequences, such as the depletion of resources and damage to the environment.
- (b) In the second part of the question, candidates were required to assess whether a government should always aim for an expansionary fiscal policy rather than a contractionary fiscal policy. Most candidates were able to analyse the potential benefits of each policy. Expansionary fiscal policy would be more appropriate if the aim was to increase aggregate demand, economic growth or employment, whereas contractionary fiscal policy would be more appropriate if the aim was to reduce aggregate demand and inflation. Relatively few candidates made an attempt to offer any evaluation, despite the fact that although eight marks are allocated to 'knowledge and understanding' (AO1) and 'analysis' (AO2) in the **part (b)** questions, four marks are allocated to 'evaluation' (AO3).

### Question 5

- (a) In this part of the question, candidates were required to explain the potential advantages of free trade and consider whether such advantages were always greater than the potential disadvantages. There were some good answers to this question, with candidates analysing both the potential advantages, such as an increase in world output, a wider range of products for consumers to choose from and an improved standard of living, and the potential disadvantages, such as an increase in unemployment in certain sectors of an economy and a potential security risk if vital resources were imported. Relatively few candidates were able to offer any meaningful evaluation in relation to whether the potential advantages would always be greater than the potential disadvantages.
- (b) In the second part of the question, candidates were required to assess whether an economy would always benefit from having a surplus on the current account of its balance of payments. There was some good analysis of the potential benefits of such a surplus, such as in relation to a stimulus to economic growth, but the assessment of the potential disadvantages, such as the fact that it could be an indication of weak domestic demand, was rather limited. Some candidates confused a surplus on the current account with a budget surplus. Relatively few candidates offered an evaluation in terms of whether an economy would always benefit from having a surplus on the current account of its balance of payments.

# ECONOMICS

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<p><b>Paper 9708/22</b> <b>AS Level Data Response and Essays</b> <b>22</b></p>
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## Key messages

- For **Question 1**, data response, one important change within the new syllabus is that 4- and 6-mark questions will contain a requirement for explained analysis and evaluation. Similarly, knowledge and understanding marks will only be awarded if they are relevant to the question and, where possible, within the context of the data itself.
- **Part (a)** of essay questions is now split on a 3, 3, 2 basis. AO1 gains up to 3 marks, AO2 up to 3 marks and AO3 up to 2 marks. Candidates need to organise their answers based on this split and must be encouraged to apply all knowledge and understanding to the question that is set. Furthermore, all analysis should be relevant and fully explained to gain credit. Answers that simply state facts without any explanation are very unlikely to gain credit. Finally, evaluation must compare and contrast the preceding analysis and make a judgement to answer the question to be awarded marks.
- Whilst the use of accurate graphs, formulae and concepts is strongly encouraged and is indeed a very important part of answering most questions, it is important to note that without further explanation and analysis, such a focus alone will only be credited as AO1. Analysis is underpinned by such knowledge and understanding but to move into AO2 and AO3, it requires further elaboration and explanation/application.
- In **part (b)** of essay questions, answers which examine one side of the question only will be highly unlikely to gain more than mid-Level 2 analysis and will not be awarded evaluation marks as they are unlikely to fully answer the question.
- Candidates therefore need to be fully prepared by centres to follow this approach to maximise their marks.
- Centres are further reminded that questions may be drawn from any part of the syllabus and therefore full coverage (including all new areas) of the syllabus is essential.

## General comments

- Overall, a full range of marks was in evidence and there was a number of high marks within the whole cohort.
- Equally, there was a significant minority of candidates who were underprepared for the examination and achieved very low marks despite, in some circumstances, writing a great deal.
- Rubric errors were rare, and most candidates answered the correct number of questions from the correct sections of the paper.
- For most candidates, time did not appear to be a problem and most appeared to finish with enough time. However, there is still a tendency to spend too much time on the 2-mark questions and also on detailed discussions within essays of information that is not relevant to the question.
- Although most scripts were legible, there was still a significant minority where handwriting was indistinct. Every candidate will want their hard work to be accredited but need to take more care in certain instances, to ensure that it can be clearly read by Examiners.

## Comments on specific questions

### **Section A**

#### **Question 1**

- (a) This question was asking candidates to understand that the current account consists of a number of components. The information offered in the question was that the balance of trade in goods (and

in the data that the secondary account) were both in surplus. Consequently, it was hoped that candidates would recognise that, given both these accounts were in surplus, the reason the current account was in deficit was that the net impact of the primary account and the balance of trade in services must be of a greater deficit. However, most candidates adopted an alternative approach and offered an explanation why the current account deficit has grown (which was not the question), rather than why it is in deficit in the first quarter of 2022. This was by reference to the final paragraph on page 2 of the data e.g., the fall in revenue from copper exports, the increase in the value of imported consumer goods and the impact of the pandemic.

A pragmatic decision was made to accept this alternative approach and as shown in the final mark scheme both marks could still be gained when taking this alternative approach provided some recognition was also made of the significance of the primary and/or the services account.

- (b) Many candidates successfully identified a relevant policy and were able to explain how this might reduce the imports of consumer goods to gain 2 or 3 marks. However, few candidates offered a judgement as to the potential success of the selected policy. Many attempted a general evaluation which did not focus on its possible success in reducing imports e.g., for tariffs discussing the possibility of retaliation and was not relevant to the question. Therefore, a mark of 2 or 3 was most common. Candidates must remember that the 4-mark question will always appear on the data response section of the paper, and is always seeking a final evaluation in order for full marks to be awarded.
- (c) This question was successfully answered by a good number of candidates who offered a clear explanation that the fall (from 52.1 to 44.1) meant that income was more equally distributed. Consequently, they were awarded the full 2 marks. Those who misunderstood the significance of the quoted change in coefficient value, but nevertheless recognised they were dealing with a measure of income inequality, were awarded 1 mark. The main issue was that a significant number of candidates referred simply to inequality with no reference to income or referred to e.g., wealth or health inequality and this could not be rewarded.
- (d) As with **Question 1e** that follows, this question could gain a maximum of 4 marks for analysis and 2 marks for valid evaluation.

In this case appropriate analysis required candidates to offer an explanation of the potential gains that increased spending on education could bring to poorer Chilean households in terms of improving their incomes. The analysis then needed to be compared to the possible downsides of such a policy in improving the incomes of poorer households. Both sides then needed to be considered to gain the full 4 marks although either argument could be more heavily weighted than the other. The final 2 evaluation marks were available to candidates who offered a balanced approach in judging the strength of the opposing arguments to reach a justified conclusion.

Whilst most answers scored reasonably well on the potential benefits, many candidates then focused on the standard arguments regarding the potential drawbacks of supply side policy, i.e., the cost and the time taken. To some extent, this is to be expected of such a policy and was not very convincing unless discussed in the context of improving incomes e.g., the time taken may mean that skills taught become outdated or the cost simply is unsustainable. Consequently, many answers scored a maximum of 3 although there were many answers that did gain very good marks for this question.

Nevertheless, most candidates still failed to access the final 2 evaluation marks. This was because they failed to fully address the question as to their perceived judgement of 'the extent to which' incomes of poorer households may or may not be improved. To gain the full 6 marks this judgement should be part of a valid conclusion drawn from their preceding analysis.

- (e) This second 6-mark question was less well answered in general than the previous one. Again, this question required an explanation and analysis of two sides, both potential advantages and disadvantages for the future economic growth of Chile resulting from the rise in the world copper price. Many answers ignored either fully or in part the need to link the answer to future economic growth and subsequently scored few marks. Better answers tended to focus on PED values together with the importance of mining to the Chilean economy and the prospects for post pandemic world economic growth. Such answers if followed through to a balanced conclusion scored highly although most candidates gained low marks as their answers were one sided or insufficiently explained,

Once again, evaluation of the strengths and weaknesses of opposing arguments tended to be relatively weak and gained low marks and this is a skill that needs to be developed in candidates.

## Section B

### Question 2

- (a) This was a popular question answered by many candidates. Diagrams provided were of varying degrees of accuracy and precision. In some cases, presentation was quite untidy, and although every attempt is made to mark positively, sometimes this lack of attention to detail on the candidate's behalf can lead to a lower mark than expected. The minimum requirement was an accurate, fully labelled diagram(s) clearly distinguishing a shift from a movement accompanied by an explanation that a movement occurs due to a change in price, and that a shift occurs due to a change in a non-price factors. Candidates needed to consider the impact on the demand for one good, because of the change in price of another good. Clearly this was an opportunity for candidates to explore the potential cross price relationship between goods. Some answers to this part of the question were well crafted and quite a number scored 3 + 3 on this section.

However, the main weakness here, as in most cases when answering **section (a)** of the essays, was the lack of judgement regarding what might be the extent of 'the impact' which really depended on the size of the XED coefficient.

- (b) As in previous series, answers to this type of question were in many cases seen as an opportunity to present to Examiners a display of all the candidates knew about income and price elasticity of demand, rather than addressing the question. There was a considerable lack of focus on the 'period of economic growth' flagged up in the question and consequently, many long answers proved unable to gain a score beyond Level 1, if any merit at all when answers were inaccurate. Where attempts were made to analyse the usefulness to a business in a period of economic growth, YED was the elasticity most commonly analysed whereas PED was generally only referred to in terms of increasing or decreasing prices with no reference to economic growth. As with **section (a)**, many candidates failed to offer an assessment beyond extremely simplistic assertions regarding the degree to which either elasticity measure may be of use to businesses aiming to raise revenue in a period of economic growth. Consequently, zero was the more common score when it came to offering marks for evaluation.

### Question 3

- (a) Diagrammatic presentation was at best variable. Candidates were expected to present accurately drawn and labelled production possibility diagrams, together with an explanation of the difference. In some cases, even when diagrams were correctly presented, candidates failed to fully explain the difference between constant and increasing opportunity cost. The analysis was expected to consider how choices of what goods to produce in the short run might influence future economic growth. Most candidates recognised the main choice being between the production of capital and consumer goods and the possible trade-offs between growth in the short run and more sustainable long run growth. However, the quality and depth of analysis was often inconsistent and not clearly applied. Better candidates did clearly identify and explain the choices and their impact and were able to offer valid evaluation. However, most candidates were unable to clearly analyse these choices and so were unable to consider the judgement that needed to be made regarding the influence on 'future economic growth'.
- (b) In general, answers to this question tended to be more focused on the question set rather than the usual display of knowledge alone. Consequently, more candidates gained Level 2 or 3 marks than for **Question 2b**. Better candidates offered some explanation of the advantages and disadvantages of the market system in deciding what to produce, how to produce and for whom to produce without any government involvement. Then they offered a comparison with another market system. Weaker answers did not focus the response on the three basic questions and/or lacked a detailed explanation of the advantages and disadvantages of an alternative market structure. This often meant that marks for evaluation were once again low, if awarded at all, with very few reaching a Level 2 score for judgement as to whether the market is always the best system.

## Section C

### Question 4

- (a) This was the most popular of the two macroeconomic questions. The most common error made by some candidates was to focus on types of unemployment rather than considering methods of measurement. Nevertheless, many did identify the Claimant count and the LFS as common measures used although some of the descriptions and explanations were extremely vague. Also some candidates suggested simply adding up the total number of unemployed as a percentage of the total workforce without any explanation as to how each could be measured. Better candidates were able to offer valid explanations as to why measurement may prove to be difficult although in some cases the explanations continued to be vague. A good number of candidates were able to achieve scores of 5 or 6 for this part of the question. Unfortunately, the majority failed to offer an overall assessment of the extent of the possible difficulties which is a prevailing problem i.e., the inability or unwillingness to make valid judgements of the question the candidate is being asked to assess or consider.
- (b) The discussion for this question should have focused on the strengths and weaknesses of supply side policy in solving both cyclical and structural unemployment. Other policies were not required unless they were introduced to highlight the strengths and weaknesses of supply side policy. Surprisingly, a significant number of candidates were unable to distinguish between the two types of unemployment and frequently described cyclical unemployment as seasonal or linked to a particular sector. In addition, there was also confusion in some cases as to the difference between supply side and demand side policies. Consequently, the use of supply side policy to solve both types of unemployment was often flawed and often one sided in nature e.g., a common assertion was that supply side policy cannot solve structural unemployment. There were however some excellent answers that focused on the question but without sufficient underpinning accurate knowledge and understanding, such answers were in the minority. The usual barrier then often arose, in a failure by many to offer an assessment of the degree to which supply side policies could solve both types of unemployment, and an absence of an overall conclusion as to whether supply side policy is always more likely to be equally successful in solving **both** types of unemployment.

### Question 5

- (a) The difference between marginal rate of taxation and average rate of taxation has rarely, if ever, been examined and unsurprisingly, was the least popular macroeconomic question. This emphasises the need to prepare candidates for the full range of the syllabus. There was, however, a full range of marks even though a significant number of candidates found it difficult to clearly and accurately explain the difference and provide examples. Better answers offered concise examples that did accurately explain the difference between them. Analysis in general, appeared better regarding government decisions to raise indirect tax to increase revenue, with reasonable discussions focused on whether the gains in revenue exceed the disadvantages of the indirect taxes. However, once again most did not offer a judgement as to whether the government should use this tactic to raise additional revenue by weighing up the advantages and disadvantages and this led to few marks for evaluation. Once again, this is lowering the overall marks gained.
- (b) A significant number of candidates displayed a confusion between a balanced budget and a balance of payments equilibrium. The question asked whether a balanced budget should always be **a** main objective rather than **the** main objective and this emphasis was lost on many candidates who simply compared the importance of the different macro-objectives which was not the question. What did need to be offered was an analysis which directly compared the strengths and weaknesses and uses of a balanced budget, with a budget in surplus and deficit. Clear explanation of such was necessary to gain access to Level 3 and potentially full marks. There were some excellent answers through to sound evaluation that analysed the need for a deficit and a surplus at times to achieve other objectives e.g. economic growth and low levels of inflation which was where a reference to other objectives was perfectly valid. However, such answers were relatively rare.

As with all the essay **part (b)** answers, mainly due to irrelevant analysis comparing the importance of different objectives and/or a lack of focus on different budget situations i.e., balanced or deficit or surplus, marks for evaluation were generally low.

# ECONOMICS

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<p><b>Paper 9708/23</b> <b>AS Level Data Response and Essays</b> <b>23</b></p>
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## Key messages

- For **Question 1**, data response, one important change within the new syllabus is that 4– and 6-mark questions will contain a requirement for explained analysis and evaluation. Similarly, knowledge and understanding marks will only be awarded if they are relevant to the question and, where possible, within the context of the data itself.
- **Part (a)** of essay questions is now split on a 3, 3, 2 basis. AO1 gains up to 3 marks, AO2 up to 3 marks and AO3 up to 2 marks. Candidates need to organise their answers based on this split and must be encouraged to apply all knowledge and understanding to the question that is set. Furthermore, all analysis should be relevant and fully explained to gain credit. Answers that simply state facts without any explanation are very unlikely to gain credit. Finally, evaluation must compare and contrast the preceding analysis and make a judgement to answer the question to be awarded marks.
- Whilst the use of accurate graphs, formulae and concepts is strongly encouraged and is indeed a very important part of answering most questions, it is important to note that without further explanation and analysis, such a focus alone will only be credited as AO1. Analysis is underpinned by such knowledge and understanding but to move into AO2 and AO3, it requires further elaboration and explanation/application.
- In **part (b)** of essay questions, answers which examine one side of the question only will be highly unlikely to gain more than mid-Level 2 analysis and will not be awarded evaluation marks as they are unlikely to fully answer the question.
- Candidates therefore need to be fully prepared by centres to follow this approach to maximise their marks.
- Centres are further reminded that questions may be drawn from any part of the syllabus and therefore full coverage (including all new areas) of the syllabus is essential.

## General comments

- Overall, a full range of marks was in evidence and there was a number of high marks within the whole cohort.
- Equally, there was a significant minority of candidates who were underprepared for the examination and achieved very low marks despite, in some circumstances, writing a great deal.
- Rubric errors were rare, and most candidates answered the correct number of questions from the correct sections of the paper.
- For most candidates, time did not appear to be a problem and most appeared to finish with enough time. However, there is still a tendency to spend too much time on the 2-mark questions and also on detailed discussions within essays of information that is not relevant to the question.
- Although most scripts were legible, there was still a significant minority where handwriting was indistinct. Every candidate will want their hard work to be accredited but need to take more care in certain instances, to ensure that it can be clearly read by Examiners.

## Comments on specific questions

### **Section A**

#### **Question 1**

- (a) This question proved accessible with most candidates able to produce a fully labelled accurate diagram showing a leftward shift in the supply of Arabica coffee beans. Nonetheless, a significant

minority provided a written explanation to support their diagram. This was not a requirement of the question and candidates are strongly advised to focus on the command word – a list of all command words and how to interpret them is included in the syllabus.

- (b) This question was more challenging than perhaps might have been anticipated. Whilst many candidates recognised the time lags involved between plantation of crop and increased supply of coffee beans, a significant number of candidates incorrectly wrote that the PES for coffee beans would be price elastic. Moreover, only a minority of candidates recognised that the justification required an explanation of the rate at which supply would increase in response to a rise in price – instead, many candidates simply offered a consideration of the law of supply.
- (c) Many candidates were able to provide some valid understanding of the principal of a buffer stock scheme, with the strongest responses explaining how the model would stabilize prices in times of both shortages and surpluses of coffee beans. Weaker responses simply stated the aim of the model as opposed to an explanation of how it would work. It was pleasing to see candidates recognising the need to judge the likely success of the system and referred to the importance of being able to afford to store any surplus in addition to ensure any storing of coffee beans did not reduce its quality.
- (d) This question asked candidates to consider which coffee bean producers might gain from the huge increase in coffee bean prices and why and then compare this to an analysis of which producers may not gain and why. The discussion was expected to focus on the PED value for coffee and PES value for different suppliers. The PES value being crucial in so far as it determined the ability of producers to respond to the price rises and was determined by the frost and storms described in the extract and their ability to build up stocks. Better candidates also referred to the XED value regarding the substitutability of other products including tea.

One-sided answers were quite common. However, a reasonable number did achieve a score of 4 marks with a focus on the perceived PED of coffee beans, along with a consideration of both the size of a producer, whether producers had reserves of coffee at the time of the price rise and the extent to which consumers would have switched to other available beverages. Nevertheless, what was clearly apparent was that most candidates failed to access the final 2 evaluation marks. This was the case as they failed to fully address the question as to their perceived judgement of 'the extent to which' incomes of coffee bean producers may or may not be gained. To gain the full 6 marks this judgement should be part of a valid conclusion drawn from their preceding analysis.

- (e) This second 6-mark question was less well answered in general than the previous one. Again, what was required was an explanation and analysis of two sides: both potential benefits and costs to the economies of major coffee producers resulting from the fluctuations in coffee bean prices. Unfortunately, a significant number of candidates offered a repackaged version of their response to **Question 1(d)** and continued to focus on at the firm level rather than the expected macroeconomic consequences in terms of impact on RGDP, unemployment and the balance of payments for example. Moreover, a minority of candidates considered the impact of high and low prices of coffee beans as opposed to its fluctuation. Additionally, even the responses awarded the full 4 marks for analysis, most were not concluded by an evaluated judgement. This, in effect, meant they were not able to access either of the two available marks for evaluation.

## Section B

### Question 2

- (a) This was a popular question answered by many candidates with a significant majority of candidates were able to accurately explain the characteristics of both public and free goods (providing appropriate examples). In terms of considering whether or not free to charge vaccinations offered by a government should be considered a free good, candidates took one of two different approaches – agreeing with the statement from the perspective of the consumer, or challenging the statement from the point of view of government (often providing a pleasing discussion of the relevance of opportunity cost). Only a small minority of candidates offered a balanced judgement of the question and missed the opportunity to access the two available marks.
- (b) This question produced responses across the whole ability range. Candidates confidently provided a detailed explanation of a range of benefits and costs with the strongest responses balancing the increased costs to the government at a time of rising national debt and the medium to long-term



benefits of a healthier workforce being able to work, acquire new skills adding to the productive capacity of the economy. Less-strong responses tended to adopt a more normative approach and wrote of the 'fairness' of those who could afford private health insurance compared to those that could not. Whilst valid to include, these responses tended to be brief on the depth of the economic arguments. As with other questions rewarding evaluation, few offered an overall judgement, and it was common to see 0 or 1 mark awarded for evaluation.

### Question 3

- (a) This question was by far the least popular of the two microeconomics questions. Those that selected this question were often able to confidently explain the meaning of inequality in the distribution of income and wealth (although frequently this was not addressed) and could accurately explain two economic reasons why it might occur. In addition, many candidates provided a well thought out explanation of a range of measurement issues, including the use of tax havens, accountancy 'window dressing' techniques and different ways in which wealth is comprised within a country. However, weaker candidates rarely attempted answers to the 'consider' part of the question or responses were far too vague to gain any merit. Unfortunately, few candidates developed their answer beyond this point and did not offer a balanced evaluation based on their earlier discussion.
- (b) In general answers to this **part (b)** tended to be more focused on the question set which resulted in a pleasing number of candidates achieving a mark in the higher levels of response. Better candidates offered some explanation of the advantages and disadvantages of one specific policy before offering a comparison with another (sometimes two) policy option(s) – all focusing on the extent to which each policy would theoretically redistribute income. The main weaknesses were a lack of application to how the policies discussed would actually redistribute income as opposed to merely increasing all incomes. Marks for evaluation were once again low, if awarded at all, with very few reaching a Level 2 score for judgement as to which policy (or policies) were likely to be most effective. This results from many conclusions being summative and assertive rather than directly comparing the advantages and disadvantages of the policies discussed.

### Section C

#### Question

- (a) This was the most popular option of macroeconomics essays and produced the full range of marks available. Most candidates provided a correct explanation of cost-push inflation developing their response with an accurate aggregate and aggregate supply diagram. These responses often went onto use country specific information to discuss the impact of rising wages and/or supply chain issues increasing import prices on domestic costs of production. Similarly, the best responses went on to discuss the issue of the reliance on imports and the lack of natural resources meant that inflation in their own country was largely cost-push in nature. The perennial issue of inaccurate diagrams remains with candidates still producing micro rather than macroeconomic diagrams.
- (b) It was expected that the discussion should focus on the potential benefits and costs of inflation. It was reassuring to see few candidates offering a one-sided approach with many producing a balanced range of impacts – including demand-pull inflation being the consequence of increased economic growth versus the potential worsening of the balance of payments from a loss of international price competitiveness. The best responses went to conclude their response by considering the relevance of both the time dimension and whether the inflation was cost-push or demand pull in nature. Weaker responses tended to merely assert potential costs and benefits rather than explain them via detailed chains of reasoning.

### Question 5

- (a) Despite being a popular area of the specification, many candidates encountered difficulties in accessing the knowledge and understanding marks for this question. For example, many candidates stated that protectionism was protecting domestic firms without being clear what they were being protected from. Similarly, candidates often identified two methods of protection but did not develop the response to explain how each method supported domestic production. Nonetheless, candidates were far more confident in analysing the impact of how at least one of the methods would support domestic production and employment. The best answers went on to conclude their response by providing a thoughtful consideration of which method was most likely to

be effective – for example, the reduction on imports would be more certain from a system of quotas compared to the introduction of tariffs due to the dependency of imports and/or the relative quality of domestic goods compared to the international alternatives. Less sophisticated responses offered a more general consideration of how each method might reduce imports and the resultant impact on consumer/producer surplus rather than focus on the impact on domestic employment and output.

- (b) This question produced the whole range of available marks. Most candidates were able to explain both how protectionism might correct a deficit on the current account and the potential limitations of this approach – for example, import reduction matched by unexpected export reductions should international rivals retaliate and impose tariffs of their own. The strongest candidates developed their response to consider at least one other option with the most common being contractionary monetary policy. This enabled them to make an evaluative consideration of both approaches and consider which was likely to be ‘best’ – this was done by considering the wider impacts, namely the dampening of domestic demand from rising interest rates. Weaker responses tended to repeat large volumes of **part (a)** rather than focus on the impact on the current account.

# ECONOMICS

**Paper 9708/31**  
**A Level Multiple Choice**

Question Number	Key	Question Number	Key	Question Number	Key
1	C	11	D	21	C
2	B	12	B	22	D
3	C	13	D	23	A
4	B	14	B	24	B
5	B	15	B	25	B
6	B	16	B	26	A
7	B	17	D	27	D
8	A	18	D	28	B
9	C	19	C	29	A
10	D	20	A	30	D

## General comments

**Questions 16, 20 and 21** were answered successfully by more than 80 per cent of the candidates. Only **Question 5** was answered correctly by less than 20 per cent of the candidates. Untypically, candidates performed significantly better on the macroeconomic questions.

## Comments on specific questions

**Question 5** required candidates to identify how the average cost and average revenue curves of firm X would shift when taking over one of its suppliers. Close to 90 per cent of candidates correctly identified that average costs would fall to  $AC_2$ , by choosing either option **B** or **C**. However, these candidates mostly chose option **C**, suggesting that average revenue would increase to  $AR_3$ . There is nothing in the question to indicate that demand for firm X's electronic goods would change. Only one in five candidates chose the correct option **B**, where average revenue for firm X remains unchanged at  $AR_1$ .

**Question 8** is a straightforward question about the characteristics of monopolistic competition. Candidates' answers were fairly evenly split across the four options. Most candidates, but only 30 per cent of them, did choose the correct option **A**. Freedom of entry is a condition of monopolistic competition. The remaining three options were each chosen by more than 20 per cent of the candidates. However, in a monopolistically competitive market, products are differentiated (which rules out option **B**), firms are price makers (not price takers as in option **C**), and there will be many firms, due to freedom of entry, rather than a small number as stated in option **D**.

**Question 26** tested knowledge about the components of the financial account of the balance of payments. Although slightly more than a third of candidates did choose the correct option **A**, slightly more chose option

**C.** The difference in these two options is how ‘interest, profits and dividends’ are classified. These are part of primary income, which is included in the current account, so option **C** is incorrect. Option **D** was also popular, selected by one in five candidates, even though it was the opposite of the correct option. The performance on this question, as is often the case on questions about categorising the components of the balance of payments, suggests that candidates need to be better prepared for this topic area.

# ECONOMICS

**Paper 9708/32**  
**A Level Multiple Choice**

Question Number	Key	Question Number	Key	Question Number	Key
1	D	11	B	21	B
2	B	12	D	22	D
3	D	13	B	23	A
4	A	14	C	24	C
5	D	15	B	25	B
6	D	16	C	26	B
7	C	17	C	27	B
8	A	18	A	28	D
9	C	19	A	29	B
10	C	20	A	30	D

## General comments

**Questions 9** and **17** were answered successfully by more than 80 per cent of the candidates. **Questions 11** and **22** were answered correctly by less than 20 per cent of the candidates. Untypically, candidates performed slightly better on the macroeconomic questions.

## Comments on specific questions

**Question 4** showed that a significant number of candidates did not know what was meant by a positive externality. This term refers to a positive impact on a third party (someone not involved in the initial transaction) or a 'spillover' effect. Less than a third of candidates chose the correct option **A**. The decreased pressure on health care is not **directly** linked to the government's decision to force the wearing of helmets by motorcycle riders or the riders need to now purchase a helmet. Option **C** (increased life expectancy of motorbike riders) was the most popular choice, selected by more than half of candidates. However, this is a clear impact on the rider (not a third party to the decision) and so is not an externality.

**Question 6** also attracted a large number of candidates to one of the incorrect options. Any increase in fixed costs will only affect the average cost (AC) curve on the diagram. This means that the equilibrium position will not change, so that price and output are also unchanged. However, with higher average costs, the firm's profit will fall, hence option **D** is correct. Option **B** was the choice of close to half of the candidates. These candidates wrongly decided that marginal costs (MC) must have increased, so that price will rise, and output will fall. However, an increase in fixed costs will increase total costs by the same amount at all levels of output, so marginal cost will be unchanged.

**Question 11** about the imposition of a subsidy in green energy markets, tested the important distinction for an economist between scientific theory and opinion. The invalid comment of the four options is **B**, although this was correctly chosen by fewer than 20 per cent of candidates. Any subsidy (or tax) will always make a market fundamentally less efficient. The vast majority of candidates chose option **A**. However, although the use of coal may be regarded in some countries as a negative choice, and may well lead to negative externalities, it is not incorrect for an economist to suggest that it would be a cheaper option if supply is plentiful.

A small number of questions in every examination will require candidates to make a reasoned judgement or decision. **Question 22** is one such question. Many arguments can be made for lowering income tax rates, but few are **always** valid. Option **D** is correct as, regardless of what rate of tax an individual pays or their level of income, lowering tax rates will reduce incentives to evade tax. Options **A** and **B** were more popular choices, the latter by close to 60 per cent of candidates. However, whether economic activity is boosted, or work is incentivised is likely to depend on the current state of the economy and which groups in society are seeing their income tax rates reduced.

# ECONOMICS

**Paper 9708/33**  
**A Level Multiple Choice**

Question Number	Key	Question Number	Key	Question Number	Key
1	C	11	C	21	C
2	B	12	A	22	D
3	A	13	B	23	B
4	C	14	D	24	C
5	D	15	A	25	A
6	A	16	D	26	D
7	B	17	D	27	A
8	D	18	A	28	A
9	A	19	C	29	A
10	A	20	A	30	A

## General comments

**Questions 2, 3, 5, 6, 7, 9, 10, 12, 18, 20, 24, 29 and 30** were answered successfully by more than 80 per cent of the candidates. On the other hand, **Questions 15, 21 and 28** were answered correctly by less than 40 per cent of the candidates. Candidates performed slightly better on the microeconomic questions.

## Comments on specific questions

**Question 4** shows the importance of carefully reading the question. Slightly more than half of all candidates chose option **B**. This is the level of supernormal profit **per unit** at the profit-maximising level of output (where  $MC = MR$ ). However, the question asks for the **total** supernormal profit, which is option **C**, correctly chosen by just over 40 per cent of candidates.

**Question 15** saw a large majority of candidates choose either option **A** or **B**. This shows that most candidates understood that a decrease in the tax-free allowance for income tax will increase those people caught in the poverty trap. However, most of these candidates chose option **B**. This is incorrect as a decrease in the proportion of benefits which are means-tested will lead to a situation where the level of benefits is not affected if an individual earns more income. The correct option is **A**, selected by less than 40 per cent of candidates. If more benefits are means-tested, as a low-paid individual earns more income they are likely to lose their entitlement to benefits and so may be worse off and caught in the poverty trap.

**Question 21** is about the relationship between inflation and unemployment in the short and long run. Although selected by less than a third of candidates, the correct option is **C**. The diagram in the question is the typical short-run Phillips curve which will not continue into the long run due to the expectations of further inflation (leading to the expectations-augmented Phillips curve). What is particularly interesting is that the

three incorrect options were equally chosen by the remaining candidates which suggests a degree of 'guessing' was involved. Option **A** is a simple description of the short-run Phillips curve. Option **B** is a clearly incorrect statement, as inflation and unemployment are never suggested to be directly related. Option **D** is also incorrect as it is emphasising the continuation of the inverse relationship between inflation and unemployment.

**Question 28** was the least well answered question, with less than one third of candidates answering it correctly. It asked for the **most likely** impact of foreign direct investment. The correct option is **A**, as the increased direct investment will help the economy to further develop which should help it to produce and sell more exports, hence improving its trade balance. Option **B** was selected by nearly two thirds of candidates. Net investment income is the income earned from a country's direct investment overseas minus the income paid on any foreign direct investment into the country. As there is now an increase in foreign direct investment this will cause net investment income to decrease.



# ECONOMICS

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<p><b>Paper 9708/41</b> <b>A Level Data Response and Essays 41</b></p>
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## Key messages

- **Section A** is a data response question, and candidates must refer to the evidence provided when specifically instructed by the question.
- When a supporting diagram is requested, candidates must provide a relevant, labelled diagram. A well-written response without a diagram in these cases will not earn marks beyond Level 2.
- For essay questions, even when an evaluative comment is not explicitly requested, it is implied and should still be included. In **Sections B** and **C**, up to 6 marks are available for evaluative development in the two essay questions.

## General comments

Candidates who provided developed, well-reasoned, and well-supported evaluative comments generally performed well in **Sections B** and **C**. It is important to note that up to 6 marks are available for responses demonstrating this high level of evaluative skill.

Overall, there were some strong responses to the paper, and those candidates are to be congratulated on achieving high marks. These candidates typically presented well-balanced, clearly structured answers that were directly related to the question, with relevant examples and applications where appropriate.

However, a common weakness in some answers was a failure to directly address the question. This was particularly evident in **Question 2**, where many candidates discussed policies aimed at reducing negative externalities but did not address how allocative efficiency could be improved as part of their response.

In **Questions 1a, 2, 4, and 5**, diagrams were explicitly requested. Most candidates included diagrams, though some contained errors in labelling and construction. A frequent mistake in **Question 4** was labelling macroeconomic diagrams as 'D' and 'S' when explaining the causes of inflation (demand-pull and cost-push).

Candidates who failed to produce a correctly labelled and relevant diagram were restricted to a maximum of Level 2 in the essay section. While diagrams were not explicitly requested in **Question 3**, candidates should be prepared to develop diagrams when relevant, such as illustrating profit maximisation using the  $MR = MC$  rule or sales maximisation using the  $AR = AC$  rule. Incorporating diagrams in these cases can strengthen analytical responses and support evaluative comments, which was particularly evident in stronger answers.

## Comments on specific questions

### **Section A**

#### **Question 1**

- (a) Two marks were awarded for a correctly drawn and labelled diagram illustrating potential growth. Most candidates successfully produced a well-labelled production possibility curve (PPC) showing an outward shift. Alternatively, candidates could use the long-run aggregate supply (LRAS) curve with a rightward shift. To earn full marks, the diagram had to be accurately labelled, including both axes and the direction of the shift. An additional two marks were given for a brief explanation, such as 'natural resource development will increase the potential growth of Ghana' (1 mark), resulting in the PPC (or LRAS) shifting outwards (1 mark). A few candidates mistakenly confused potential growth with actual growth.

- (b) Many candidates provided strong explanations of the multiplier effect; however, some failed to connect the concept to the specific context of Ghana.
- (c) Dutch Disease refers to the negative economic impact caused by a sudden discovery of natural resources, leading to an appreciation of the real exchange rate and a subsequent decline in export competitiveness. Many candidates provided thorough explanations of Dutch Disease. However, several candidates did not follow the question's specific instruction: 'Using Fig. 1.1, consider to what extent Ghana suffered from this problem.' They failed to reference the figure directly in their answers.
- (d) To earn six marks, candidates were expected to provide a balanced response using the provided data. Unfortunately, some candidates offered one-sided arguments, focusing solely on the positive impact of oil extraction on Ghana's standard of living. For full marks (8 marks), candidates needed to first define the standard of living (considering both material and non-material well-being) and then draw a conclusion. The conclusion should have acknowledged that the data suggests improvements in the standard of living, but it was not definitive.

## **Section B**

### **Question 2**

This was the more popular of the two microeconomic essay questions. Most candidates successfully defined negative externalities and incorporated appropriate supporting diagrams into their responses. Commonly discussed policies included indirect taxation, pollution permits, and the provision of improved information. However, fewer candidates evaluated the extent to which these policies could also enhance allocative efficiency. A significant number of candidates failed to include a relevant diagram, which disqualified them from attaining Level 3 marks for knowledge, understanding, and analysis.

### **Question 3**

This question was attempted by fewer candidates. Those who did attempt it often produced strong responses that defined and explained both profit maximization and sales maximization. However, many candidates neglected to reference the principal-agent problem, which weakened their analysis. Relevant diagrams illustrating profit and sales maximization were effectively employed by several candidates, enhancing their responses. Despite this, the evaluation of the implications for a firm's price and output was frequently overlooked or underdeveloped.

## **Section C**

### **Question 4**

This was the less popular of the two macroeconomic questions. Most candidates were able to define inflation and identify cost-push and demand-pull factors. However, fewer responses effectively analysed the role of expectations and the impact of fiscal policy on unemployment and inflation. Stronger responses incorporated the Phillips Curve to explain the trade-off between wage growth, inflation, and employment.

### **Question 5**

This was a popular choice, with many candidates demonstrating a solid understanding of the impact of tariffs on imports and exports. Stronger responses defined free trade Areas, provided examples, and analysed trade patterns before and after the imposition of common FTA tariffs. These responses were supported by appropriate diagrams illustrating the effects of tariffs on domestic output. Common evaluation points included the dependency of tariff impacts on price elasticity of demand (PED) and price elasticity of supply (PES), the shift in demand from domestic to imported goods, structural unemployment, and the exploitation of labour and resources. A number of responses concluded with balanced and justified discussions addressing the extent to which membership in an FTA is always beneficial for a country.

# ECONOMICS

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<p><b>Paper 9708/42</b> <b>A Level Data Response and Essays 42</b></p>
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## **Key messages**

- Candidates generally demonstrated that they understood the relevant theory and the best candidates were able to articulate the analytical aspects within the context of the question. Others failed to fully develop the analytical aspects of the question or to apply it to the context of the question.
- Many questions contained the trigger word 'Evaluate'. This term required a candidate to judge or calculate the quality, importance, amount, or value of the information or theory that was used in the answer. Whilst most produced a limited evaluation less developed the evaluative point sufficiently to gain a Level 2 evaluation (E2).
- Candidates are reminded that a thorough reading of the question is necessary to pick out the full breadth of the question. This is especially true now the questions are without sub-divisions.

## **General comments**

- The level of English shown by candidates was of its usual high standard. Many answers were again of a high standard in response to the questions.
- The common faults were as in previous examinations, but they are worth repetition.
- The use of badly drawn, or inaccurately labelled diagram, or even perfectly presented diagrams without any reference to them in the essay re-occurred as did the use of pre-learned answers that did not match the question which had been set. These comments, however, should not detract from the impression that the standard of response was high.
- Some candidates wrote at great length. In many examples these responses were poorly directed towards the question set. Candidates who can produce a relevant, concise and well-directed answer will always be fully rewarded.
- It should be noted that to gain L2 evaluation marks the evaluative comment has to include a degree of analysis or explanation based upon economic concepts relevant to the question set

## **Section A**

### **Question 1**

- (a) Most candidates scored at least 1 mark on this part of the question for identifying the relationship between migrant status and the level of unemployment in a particular industry. Few were able to explain why this was so.
- (b) Candidates generally scored well on this part of the question. Good diagrams of the production possibility curve and its change. A minority of candidates incorrectly labelled the axes as 'x' and 'y' rather than good x and good y or an equivalent.
- (c) Candidates using the data provided and their knowledge of the economic theory of wages were able to construct an answer which explained why wages differed between high and low technical industries. There were good explanations based on correctly drawn diagrams showing varying degrees of elasticity of the supply and demand for labour between the different types of industries.
- (d) This question saw many candidates score more than half marks as they used the text to identify, develop and evaluate the effects of the return of inward migration to the USA. Unfortunately, a minority misinterpreted the question and wrote a response based on the restrictive effects of limited migration.

## **Section B**

### **Question 2**

Most candidates recognised the economic theory which was required to respond to the question. How well they did depended upon their ability to develop the diminishing marginal utility (DMU) theory and comment on the link between the theory and how well it accounted for the effect of a changing price and the demand for a good. Those who stated the assumptions of the theory and illustrated the concepts of DMU and the equi-marginal principle made a good start. However, a large proportion of candidates went no further than these stages. The theory needs further development to explain the consequences of the price of one of the goods changing and how that causes a change in the demand for a good. The ability to link the change to the price/demand diagram provided a fitting conclusion.

Most candidates made some accurate basic evaluative comments on the theory presented. However, those who wrote extensive on the Indifference Curve (IC) analysis for the derivation of the demand curve did so without indicating how this could be a form of criticism of DMU theory. A small number of candidates wrote only of the IC analysis.

### **Question 3**

Those candidates who defined privatisation and in particular allocative efficiency made a good initial opening to the answer the question. These needed to be followed by a consideration of the type of market structure that might follow the privatisation of a state-owned enterprise. Candidates could choose with relevant justification any of the four forms of market structure they wished for this analysis. This then required a comparison of the difference, if any between the level of allocative efficiency in state owned enterprises and that of a firm in the chosen market structure. The answer could be enhanced by consideration of the impact of the pursuit of profit maximization on, for example X-inefficiency, research and development.

Those candidates who evaluated the role of private firms in ignoring externalities or the tendency to develop into monopolies with clear illustration and diagrams scored well in that component of the answer.

## **Section C**

### **Question 4**

The question was set with some stimulus material rather than ask the candidates to evaluate measures of standard of living in isolation. Candidates who started their answer with a clear definition of monetary and non-monetary standard of living indicated they had identified the core of the question. The candidates were required to use the information provided to recognise the inter-relationship between the variables. For example, if nominal wages rose by 2.8 per cent and the inflation rate was 3.4 per cent then real wages had decreases and that the statement of data without a comparator from a previous year means very little. Those who explored the limitation of the GNI figure without the size of population.

Some candidates ignored the figures accompanying the measures and commented on the statistic named for example the unemployment rate and its meaning for an economy. Others spent little time on the data given and wrote about the limitations of the measures in the abstract.

Good evaluation took place where candidates put forward arguments in favour of the GNI data being amended for the size of population and the change in GNI adjusted by price changes from a given base year or the stated population growth rate. Those who commented on the advantages of the multi-dimensional poverty index in some detail were suitably rewarded.

### **Question 5**

Candidates who defined low-income countries and long-term growth showed a clear idea of the focus of the question. Those who based their analysis on a model of why many countries remain low-income in terms for example of lack of capital, poor infrastructure, etc. had an excellent basis on which to construct a response. The development of the answer in terms of the effect on growth of capital inflows from government or multi-national corporations enabled the candidates to enhance their response.

However, many candidates ignored the subtlety of the question and wrote in general terms about expansionary monetary policy with little comment on the source of funds or the focus on low-income countries.

Good evaluation was provided by the minority of candidates who discussed the impact of rising interest rates on the economic prospects of countries who had borrowed significant amounts. Alternatively, doubt was cast on those who had borrowed but not invested the funds in productive capital projects.

# ECONOMICS

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## General comments

There was an overall improvement in performance across the paper compared to last year. Although this improvement did not apply evenly in relation to each section of the exam paper. In **section A** (short data response questions) a clear improvement was noted. This was possibly due to candidates being well-prepared to topics based on that specific part of the syllabus. Very few candidates gained fewer than half marks for this section.

Similarly, in **section B**, the overwhelming majority of candidates were able to gain some very high marks. This was primarily due to the provision of some excellent responses to **Question 2**. Approximately 90 per cent of candidates chose this question. Most responses contained sufficiently well-structured analysis to enable them to gain a Level 3 grade on the generic part of the mark scheme, supported by some well thought out evaluative comment. Diagrams were generally accurate and frequently supported by well-developed analysis based on extended chains of reasoning. It was also pleasing to note that those candidates who did choose **Question 3** in this section, although far fewer, also achieved very similar outcomes.

However, **section C** was not dealt with effectively. Questions in this section related to the macroeconomic part of the syllabus in contrast to the microeconomic questions set in **section B**. Coverage of separate questions was more evenly divided in this section but neither option was answered significantly well. **Question 4**, which was more popular, was frequently misunderstood. More comment will be provided regarding this question when analysing responses to each separate question below.

## Comments on specific questions

### **Section A**

#### **Question 1**

- (a) (i) Most candidates were able to gain 2 marks for identifying and explain at least one of the two types of pricing. Candidates were successful in this regard in relation to predatory pricing rather than limit pricing. Nevertheless, it was necessary to explain both types to gain the full four marks. Also, the key command words were 'distinguish between'. Hence, it was expected that candidates, would point to predatory pricing reducing competition **within** the market and limit pricing preventing competition from **entering** the market.
- (ii) Two marks were available for those candidates who were able to use the data to try and identify evidence to support **both** types of pricing policy. A surprisingly large number of responses could only provide evidence to support predatory pricing. While it was clearly stated that 'investors were not prepared to invest in new companies' thus indicating the use of limit pricing
- (b) Candidates were required to assess three possible effects on the **macroeconomy** of the huge increase in size of the five largest technology companies. This question was generally answered well. Most candidates were able to gain at least four marks out of six for assessing two possible effects on the macroeconomy each of which gained at least one additional development mark. Weaker responses failed to focus on the macroeconomy. References and discussion of the benefits of economies of scale were linked more closely to microeconomic outcomes and thus lost marks

- (c) This question was wide ranging and gave candidates the opportunity to use both the data provided and economic theory, to assess the impact of the growth of large firms on consumers and the extent to which it might be bad for competition and cause inequality. As a result, many candidates gained high marks for this part of **section A**. Marks were available for identify both positive and negative effects on the consumer and this was frequently in evidence in the majority of responses. The key command word 'consider' should have provided a clear pointer to the need to examine both aspects of the statement. Particularly regarding the impact on the consumer. One mark was retained for providing a relevant conclusion. Unfortunately, a significant number of candidates failed to do this.

## Section B

### Question 2

This was a very popular question. It was clear that many candidates had been well prepared to answer a question relating to negative externalities. This was quite evident when considering the depth of the analysis provided. There were many excellent responses which combined accurate, clearly labelled diagram with some detailed supporting analysis. Diagrams specifically relating to negative externalities in production were required and this requirement was met by the overwhelming majority of candidates. Those candidates who did produce diagrams relating to negative externalities in consumption were restricted to a Level 2 maximum mark for analysis. It is important at this point to remind all examinees, that a question which specifically asks for a supporting diagram, must provide a relevant, accurately labelled diagram – supported by relevant analysis – to gain a Level 3 mark.

In addition, many candidates were able to identify at least two types of government policy, and, and more importantly, proceed to evaluate the effectiveness of each policy identified. Some very good responses provided very detailed alternative policies, for example, the use of pollution permits, to evaluate the relative effectiveness of the use of indirect taxation. Further marks were gained for appropriate conclusions based on the preceding analysis.

### Question 3

Very few candidates attempted this question. Those who did attempt to answer this question generally achieved a high mark. Answers indicated that candidates had again been well prepared to discuss a question relating to the labour market. Clear, relevant diagrams supported by appropriate analysis were again pre-requisites regarding attaining a Level 3 mark.

Learners were generally able to identify the key characteristics of a perfectly competitive market structure and also the key characteristics of a monopsonist labour market. This would have gained lower Level 2 marks. However, an important element within the statement considered related to the need to provide diagrams.

A significant number of learners were able to provide a relevant, accurately labelled monopsony labour market diagram but, rather surprisingly, failed to provide an appropriate diagram relating to a perfectly competitive market. Far too many produced a diagram representing a firm operating in a perfectly competitive market, rather than the perfectly competitive market as a whole. This then made it difficult to use these diagrams to analyse accurately whether wages in a perfectly competitive market would always be higher.

There was however some very good examples of evaluative comment, drawing upon detailed knowledge and understanding of the potential role of the Trades Unions and/or the government use of a minimum wage policy.

There were two main reasons why some learners failed to gain a high mark. First, many learners did not appear to be prepared to discuss whether, in a perfectly competitive labour market, there would **always** be higher wage levels. For example, very few learners considered how easy it might be for a trade union in a monopsonistic market, through the provision of additional skills training, to increase labour productivity and thus allow higher wages without reducing employment. Second, weaker responses made no reference to the ease with which labour might be substituted for capital in both markets.

## Section C

### Question 4

Approximately 70 per cent of learners chose to answer this question. As already alluded to above in the General Comments, neither question in this section was answered well. This applies in particular to responses to **Question 4**. One of the most frequently used key comments in Principal Examiner reports, relates to re-enforcing the need for learners to read each question very carefully before 'putting pen to paper'. The statement in **Question 4** provided a good example of the need to read and reflect upon each word, before attempting to evaluate the statement.

There were three elements to this statement: Whether central banks can **control** the money supply; whether an **increase** in the money supply would cause inflation, and whether central banks can **prevent** inflation. It was essential that the key words (set out in bold type) were taken carefully into account before constructing a response to this question.

A significant number of responses failed to evaluate this statement correctly by focusing wrongly upon the significance of the key words. Many responses focused upon how central banks might **control** inflation, whereas the question required a focus upon how central banks might **prevent** inflation. As a result, answers frequently discussed how the impact of an increase in the money supply might affect inflation, often introducing non relevant comment relating to the liquidity trap and/or the effect of a decrease in interest rates. This was not what this question required and, as a result, many candidates gained few marks.

Attempts to provide a conclusion were also disappointing. A significant number of candidates simply provided a brief summary of what had already been stated, instead of attempting to draw upon the preceding analysis to evaluate the accuracy of the statement.

### Question 5

This question worked reasonably well as a discriminator. Responses varied across a wide mark range. There were four related elements in this question that learners were expected to refer to including: knowledge, understanding, analysis and evaluation. It was expected that candidates would demonstrate some clear knowledge of what is meant by the term 'globalisation'. Similarly, the key characteristics of high-income countries should have been provided in some detail. However, far too many candidates were only able to give a very cursory treatment of both these elements and this reduced marks awarded for 'knowledge' accordingly.

A relevant, accurately labelled was also essential to gain a Level 3 analysis mark. It was expected that candidates would produce a diagram showing a perfectly elastic world supply of one good and the effect of imposing a tariff on this supply. It was disappointing to note that a significant number of responses failed to do this. As well as underpinning analysis relating to the impact of a tariff on different stakeholders in a high income country, an appropriate diagram would have also provided a further steer towards the use of evaluative comment. For example, candidates might have referred to their diagram to illustrate why restricting imports and the subsequent trade diversion might lead to allocative inefficiency and a net welfare loss, shown by the two areas of deadweight welfare loss on the tariff diagram. Apart from a cursory reference to the possibility of retaliation leading to a trade war and a brief reference to tariffs causing a rise in the price level, potential marks were lost because learners were unable to produce any fully developed evaluative comment.