ECONOMICS

Paper 9708/11
AS Multiple Choice

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

General comments

Candidates dealt with both macroeconomic and microeconomic questions equally well. 4 out of 30 questions were answered incorrectly by fewer than 45 per cent of the candidates. **Questions 3**, **4**, **15** and **18** were answered most successfully (85 per cent or above).

Comments on specific questions

Question 4

This question was answered correctly by 95 per cent of candidates. This question required knowledge recall in relation to different functions of money. It was clear that candidates had been particularly well prepared to answer a question of this nature.

Question 8

44 per cent of candidates were able to answer **Question 8** correctly. This question required candidates to recognise that the addition to consumers satisfaction will fall as the consumer consumes more units of a particular product. In this case, a consumer would only be prepared to demand more of a good when the price of the good is lower. This would explain why the demand for normal good will slope downwards from left to right. Hence, option **A** was the correct response.

Question 10

This question was answered correctly by 43 per cent of candidates who chose option **A**. This question required candidates to be able to identify a situation when consumer surplus would be zero. Consumer surplus would be measured on a supply and diagram by locating the area between the demand curve, the horizontal line at the equilibrium price and the vertical price line. This would be done by sketching different supply and demand curves. Then establishing this area when demand/supply elasticities are different. It should be then clear that when the price elasticity of demand is perfectly elastic, this area must be zero, therefore option **A** was correct.

Question 20

Only 25 per cent of candidates were able to correctly answer **Question 20**. This question was dealt with least effectively on the paper. The question required candidates to use a table to demonstrate an understanding of the difference between real output and nominal output, by comparing different rates of change between the two measures. The key to answering this correctly required a recognition that nominal output refers to the total value of the output produced that is measured by multiplying the output $\times$ price of each unit of output. When both of these elements, i.e. price and output, are growing at the same time, then it is clear that nominal output must be growing faster than real output. Therefore, option **A** was the correct response

Question 23

Candidates also found **Question 23** difficult. Only 35 per cent chose the correct option **C**. The question focused upon the impact of a tax on the export of fuel. A tax on exports would mean a fall in the supply of fuel overseas and an increase in the availability of fuel for domestic consumption. This would lead to a fall in the price of fuel for domestic consumers. A significant number of candidates (34 per cent), incorrectly deduced that this would improve the country's trade balance and chose option **B**. This would be hardly likely given the price of exports would rise.

ECONOMICS

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Paper 9708/12
AS Multiple Choice
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Question Number	Key	Question Number	Key	Question Number	Key
1	D	11	A	21	D
2	B	12	A	22	C
3	A	13	A	23	C
4	A	14	D	24	A
5	C	15	D	25	B
6	A	16	D	26	D
7	C	17	D	27	C
8	C	18	D	28	A
9	B	19	A	29	B
10	C	20	C	30	A

General comments

Overall performance across this paper was consistently good. Candidates dealt with microeconomic questions more effectively than their macroeconomic counterparts. 30 per cent of questions were answered correctly by 80 per cent or more of the candidates. **Questions 3**, **8**, **9** and **17**, were answered most successfully (89 per cent or above)

Comments on specific questions

Question 8

This question was answered correctly by 93 per cent of candidates. This question required knowledge of the likely impact of an advertising campaign on the supply and demand for a good. It was clear that candidates had been particularly well prepared to answer a question of this nature.

Question 11

45 per cent of candidates were able to answer **Question 11** correctly. This question required candidates to understand the key factors which might affect the demand for a good and also the particular way in which demand might be affected. The main aim of the question was to establish whether candidates could clearly distinguish between a change in a factor that would shift a demand curve and a change in a factor which would cause a movement along a demand curve. The correct option was **A** because this described changes in two factors which would both shift the demand curve but each one would shift in the opposite direction, therefore each change nullifying the impact of the other. 37 per cent incorrectly chose option **D** primarily due to an inability to recognise that a change in price will not produce a shift in the demand curve.

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Question 14

This question was answered correctly by 50 per cent of candidates who chose option **D**. This question required candidates to identify what is meant by a regressive tax and then proceed to compare the likely impact of the imposition of different taxes with respect to their regressive impact on society. Option **D** was **most** likely because each of the changes was likely to have a significant effect on the least well off in society and that is what a regressive tax will do. For example removing the tax free allowance while simultaneously increase the sales tax on food will have disproportionately negative effect on the poor in society.

Question 16

50 per cent of candidates were able to correctly answer **Question 16**. This question required candidates to determine the links between a subsidy on the production of electric cars and the subsequent effect of this on the price and sale of electricity. Clearly, a subsidy would decrease the price of electric cars, this would lead to more demand for electric cars which would ultimately lead to a rise in the sale of electricity, which, in turn would lead to a rise in the price of electricity. Hence option **D** was correct.

Question 24

Candidates also found **Question 24** difficult. Only 39 per cent chose the correct option **A**. The question focused upon an understanding of the relationship between a devaluation of the currency, the respective import and export price elasticities of demand and the final effect of price changes on the current account of the balance of payments. The question specifically referred to a worsening effect. Therefore, based on the Marshall-Lerner theory, we would expect the combined effect to be the worst when their combined elasticities were the least. In this case it would have been option **A** when the combined elasticities equalled the lowest sum, i.e. 0.6.

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Paper 9708/13
AS Multiple Choice

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

General comments

Overall performance across individual questions varied significantly. Candidates dealt with both macroeconomic and microeconomic questions equally well. **Questions 6**, **12**, **18** and **23**, were answered most successfully (70 per cent or above).

Comments on specific questions

Two questions (**Question 6** 82 per cent and **Question 23** 82 per cent) were answered correctly by more than 80 per cent of candidates. **Question 6** required knowledge recall and **Question 23** required candidates to distinguish between real income and nominal income. It was clear that candidates had been particularly well prepared to answer **Question 23**.

Question 13

32 per cent of candidates were able to answer **Question 13** correctly. This question required candidates to understand how price elasticity of demand will vary at each point along a normal demand curve. Price elasticity of demand will fall continuously as one moves from the top of the curve on the left, to the bottom of the curve on the right. Thus the question which asked candidates to identify a movement from an inelastic point to a less inelastic point, would expect a response which indicated an upward movement along the lower part of the demand curve. This was consistent with option **D**. A significant proportion (48 per cent) identified a movement down the top part of the curve, i.e. consistent with a change from elastic to less elastic.

Question 17

This question was answered correctly by 27 per cent of candidates who chose option **B**. This question was dealt with least effectively on the paper. The question required candidates to examine the impact of the imposition of a maximum price below the market equilibrium, on consumers and producers. A large number of candidates chose option **B** (32 per cent) which suggested producers would increase output to meet the shortfall. This was incorrect because it would mean producers would be losing profit. Option **A** was correct because it recognised that there would be bound to be unsatisfied demand when a maximum price is set below the market equilibrium price.

Question 26

Fewer than one third of candidates (31 per cent) were able to correctly answer **Question 26**. Candidates needed to understand the links between a devaluation, the Marshall-Lerner rule and the impact of a devaluation on the aggregate demand curve. In this example candidates were informed that the sum of the price export and import elasticities was greater than one. In this case therefore, a devaluation would improve the current and shift the AD curve upwards to the right. The new equilibrium would then be option **B**. Unfortunately, 31 per cent of candidates thought that the curve would shift downwards to the left and hence chose option **D**.

Question 30

Candidates also found **Question 30** difficult. 34 per cent chose the correct option **C**. The question focused upon alternative policies to address the problem of deflation (falling prices). Option **C** referred to an increase in transfer payments to the less well-off. This would be the most effective because it would have the direct effect of increasing the income of those members of society who are likely to have the highest marginal propensity to consume.

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Paper 9708/14
AS Multiple Choice

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

General comments

Overall performance across individual questions varied significantly. Candidates dealt with microeconomic questions more effectively than their macroeconomic counterparts. 60 per cent of questions were answered correctly by more than 70 per cent of the candidates. **Questions 10**, **11**, **13**, **20** and **24**, were answered most successfully (86 per cent or above).

Comments on specific questions

Question 15

Only 44 per cent of candidates were able to answer **Question 15** correctly. This question required knowledge about any potentially negative outcomes associated with an increase provision of goods and services by the government. Although the majority understood that this might have a negative effect on investment in the private sector, a large proportion (35 per cent) thought that it would lead to an increase in consumer sovereignty which was in itself likely to have a negative impact on an economy.

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Question 18

This was answered correctly by 28 per cent of candidates who chose option **D**. This question was not dealt with effectively. The question required candidates to use a table to differentiate between progressive taxation and proportionate taxation. It was important to read the headings above each column carefully to ensure that the specific question was addressed. By doing this it should have been clear that the question related to two separate sections, i.e. profits up to $10 000 and profits above $10 000. Not profits overall. Once this is established, one can see a fixed percentage paid up to $10 000 and another fixed percentage for profits above $10 000. Therefore, in each case the type of tax levied would be described as a proportional tax not a progressive tax. Hence, option **D** was the correct option.

Question 25

25 per cent of candidates were able to correctly answer **Question 25**. This question was dealt with least effectively on the paper. This question required candidates to demonstrate an understanding of the links between the price elasticities of demand for and supply of a currency and any subsequent fluctuations in the value of a currency. Option **D** was correct because it is the case, that when both demand and supply elasticities are inelastic, then changes in demand or supply will then lead to the greatest fluctuations in the value of the currency. A simple, quick sketch depicting different elasticities of supply and demand, and changes in supply/demand will show in each case the likely extent of the change in the value of the currency.

Question 27

Candidates also found **Question 27** difficult. Only 43 per cent chose the correct option **A**. The question focused upon knowledge recall in relation to understanding what is meant by the Terms of Trade. Option **A** was correct because it was consistent with the fact that a fall in the demand for exports would lead to a worsening of the Terms of Trade. This would be primarily because a fall in demand for exports would cause a fall in the price of exports relative to the price of imports and the Terms of Trade describes the price of exports relative to the price of imports. 34 per cent of candidates confused the definition of the Terms of Trade with the definition of the Balance of Trade.

ECONOMICS

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Paper 9708/21
AS Data Response and Essay
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Key messages

- Candidates need to ensure they focus on the particular 'command' or 'directive' word that is being used in a question, such as '**describe**', '**explain**', **'analyse'** or '**discuss**'.
- It is important candidates understand that in the second part of the '**discuss**' questions in *Section B*, a certain number of marks can be awarded for '**evaluation**'. There is often a clue in the question to guide candidates towards this, such as in **Question 2(b)** which required candidates to discuss the advantages of a mixed economy and whether it was always preferable to a planned economy. Or in **Question 3(b)**, which required candidates to discuss whether the incidence of a tax on a manufactured product always fell mainly on the producer. Or in **Question 4(b)**, which required candidates to discuss whether export subsidies were always a better method of protectionism than tariffs.
- It is also important that candidates understand the need to include the use of relevant diagrams in their answers where these are explicitly asked for in a question, such as in **Question 1(d)**.
- 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. As has been pointed out above, diagrams were required in **Question 1(d)**, but there were other questions where diagrams could have been used to good effect to support an answer, such as **Question 3(b)**.
- 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 every year between 2009 and 2019 rather than describing the overall trend in the annual inflation rate of Bangladesh, while in **Question 2(b)**, some candidates wrote exclusively about the advantages and disadvantages of a mixed economy and a planned economy rather than about whether a mixed economy was always preferable to a planned economy.

General comments

Diagrams were explicitly required in one of the questions in *Section A*, **Question 1(d),** but despite this instruction, some candidates did not include them.

It was clear in some responses 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 '**describe**', '**explain**', '**analyse**' or '**discuss**' something.

It is also important that candidates focus on whether there is any additional guidance provided in a question, such as in **Question 4 (b)**, where candidates were required to discuss whether export subsidies were **always** a better method of protectionism than tariffs, and yet some candidates provided answers that made no reference to the particular circumstances of export subsidies and tariffs.

Comments on specific questions

Section A

Question 1

Compulsory Data Response

(a)   Many candidates were able to correctly describe the overall trend in the annual inflation rate of Bangladesh between 2009 and 2019, stressing that although the inflation rate was approximately the same at the beginning and at the end of the period, it had generally fluctuated during this time,

reaching its highest rate of 11.4 in 2011. Some candidates, however, gave a description of what happened in every year. It is important that candidates understand clearly what is meant by a 'trend'.

(b) A number of candidates were able to explain why price changes in the food and non-food sectors in Bangladesh were treated differently when calculating the Consumer Price Index, stressing the different weights that were given to various sectors according to the proportion of income spent on them and therefore their relative importance in the pattern of expenditure.

(c) Many candidates were able to explain one domestic consequence and one external consequence for Bangladesh of having 'a relatively high rate of inflation'. Domestic consequences included the redistribution of income, the impact on borrowers and lenders and the existence of menu and shoe leather costs. External consequences included the impact of the rate of inflation on the competitiveness of exports and the effect of this on the current account of the balance of payments. However, some candidates did not appear to understand the difference between 'domestic' and 'external' consequences.

(d) The majority of candidates were able to analyse how increasing wages could cause both demand-pull and cost-push inflation in Bangladesh, distinguishing clearly between the two types of inflation. Although many candidates gained full marks for the diagrams, some provided demand and supply diagrams rather than AD and AS diagrams and some labelled the axes incorrectly, labelling the vertical axis 'price' instead of 'price level' and the horizontal axis 'quantity' rather than 'real GDP'. Some candidates did not include any diagrams in their answers, despite the explicit instruction in the question to do so.

(e) A number of candidates made a good attempt to discuss whether monetary policy or fiscal policy was more likely to be effective in controlling inflation, although some candidates limited themselves to a general description of monetary policy and fiscal policy rather than focusing on which would be more likely to be effective in controlling inflation. However, a number of candidates did not offer a conclusion, even though it was a **'discuss'** question.

Section B

Essays

Question 2

(a) In this part of the question, candidates were required to explain, using examples, why merit goods were classified as private goods rather than public goods. There were some useful explanations of the distinction, with a clear contrast between the rivalry and excludability of private goods and the non-rivalry and non-excludability of public goods. Appropriate examples were used to good effect, including education and healthcare as examples of merit goods and street lighting and defence as examples of public goods. A number of candidates wrote extensively about demerit goods, despite the fact that the question made no reference to demerit goods.

(b) In the second part of the question, candidates were required to discuss the advantages of a mixed economy and whether such an economy was always preferable to a planned economy. There were some good answers, with candidates contrasting the relative advantages and disadvantages of each, although some candidates limited themselves to a list-like account of the different advantages and disadvantages of each without really focusing on the question. Some candidates contrasted planned economies with market, rather than mixed, economies. Most candidates provided little, if any, evaluation, although some candidates did make an attempt to exercise some judgement on whether a mixed economy was always preferable to a planned economy. Candidates need to remember that although eight marks are allocated to 'analysis' in the **part (b)** questions, four marks are allocated to 'evaluation'.

Question 3

(a) In this part of the question, candidates were required to explain two factors that could determine the price elasticity of supply of a manufactured product. Most candidates were able to provide a correct definition or formula of price elasticity of supply, although some made no reference to the fact that it involved percentage changes in the quantity supplied of a product and in the price of a product. A few candidates appeared muddled and wrote about price elasticity of demand rather

than price elasticity of supply. A variety of different factors were explained, including the number of producers, the existence of spare capacity, the ease of storing stocks, the time period and the ease of factor mobility. Unfortunately, some candidates included explanations of both manufactured and agricultural products, despite the fact that the question only referred to manufactured products. This shows the importance of candidates reading the questions as carefully as possible.

(c) In the second part of the question, candidates were required to discuss whether the incidence of a tax on a manufactured product would always fall mainly on the producer. The majority of candidates were able to clearly analyse the incidence of a tax, stressing the importance of elasticity in determining whether the incidence of a tax would always fall mainly on the producer or on the consumer. Although diagrams were not explicitly asked for in the question, many candidates used them to good effect in supporting their answer. As in **Question 2(b)**, little evaluation was provided by the majority of candidates in terms of exercising judgement on whether the incidence of a tax on a manufactured product would always fall mainly on the producer.

Question 4

(a) In this part of the question, candidates were required to explain why fixed exchange rates could cause difficulties for a country that has one. Although many candidates explained what was meant by a fixed rate, some made no attempt to point out that a fixed exchange rate was determined by a government and/or a central bank rather than by the demand and supply of currencies on the foreign exchange market. Most candidates were able to explain some of the difficulties that could be caused by a fixed exchange rate, such as the need to have sufficient reserves to intervene in the foreign exchange market to maintain the rate of the currency and the possibility that the maintenance of a fixed exchange rate could conflict with other economic policies of a government.

(b) In the second part of the question, candidates were required to discuss whether export subsidies were always a better method of protectionism than tariffs. There was a useful consideration of the relative strengths and limitations of each of these two policies, although candidates did not always refer to the particular circumstances in order to arrive at a judgement as to which might be better. For example, tariffs would be less successful if the demand for imports was inelastic or if such a policy was likely to lead to retaliation by other countries. As in **Questions 2(b)** and **3(b)**, only a minority of candidates offered a sound evaluation in terms of exercising some judgement on whether export subsidies were always a better method of protectionism than tariffs. As has already been pointed out, candidates need to remember that although eight marks are allocated to 'analysis' in the **part (b)** questions, four marks are allocated to 'evaluation'.

ECONOMICS

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Paper 9708/22
AS Data Response and Essay
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Key messages

- Questions may be drawn from any part of the applicable syllabus, and it is essential that candidates are prepared across the whole range of the syllabus. This is particularly essential for the compulsory data response **Question 1**.
- Knowledge and understanding must be accurate, clear, and relevant to the question being answered. Vague knowledge and understanding will gain little or no credit.
- Application is only rewarded when the knowledge and understanding is accurate and correctly used to answer the question. Candidates should avoid unnecessary descriptions or explanations of, for example, economic concepts and theories which may be correct but are not clearly applied to the set question.
- Analysis involves an assessment rather than a series of unexplained assertions / statements. This involves, for example, an assessment of the strengths and weaknesses / usefulness of economic theory / concepts and policies where relevant. Simple or unexplained assertions will receive little or no credit.
- Summative statements / paragraphs do not necessarily result in evaluation marks being awarded. Evaluation must be based on accurate analysis which is assessed to present **an answer to the question.** One mark is generally reserved for a justified conclusion where appropriate.
- Finally, candidates should be encouraged to spend time reading the questions and carefully noting the mark allocations. This should avoid spending unnecessary time and effort on low mark questions or presenting accurate yet irrelevant material within the answer and instead focusing on the requirements of the question itself.

General comments

- A wide range of marks was in evidence across all candidates taking this paper and the main reasons for this are detailed in the specific comments below.
- Certain questions clearly presented more problems than others, especially **Questions 1(a)(ii)**, **1(a)(iii)**, **1(b)**, **1(c)** and **3(b)**. In most cases, this was a result of incomplete / inaccurate knowledge and understanding although for **1(c)** and **3(b)** this also appeared to be exacerbated by a failure to read and understand the question properly.
- Analysis and evaluation marks could be improved by ensuring that points made by candidates are explained rather than asserted and that evaluation clearly attempts a judgement of the analysis to arrive at an answer to the set question. If done well, this would often move a written script from a low / mid-range response to a high ranking one.
- Generally, though, there were some very strong scripts and much evidence that certain candidates had been very well prepared. There were also very few rubric errors and little evidence that candidates did not have enough time.

Comments on specific questions

Section A – Data Response

Question 1

(a) (i) This was a typical opening data handling question. Candidates do need to be aware that when two dates are referred to and the command word is 'compare' or 'calculate' for example, then it is those two dates only that are under consideration. This would avoid unnecessary and over descriptive answers covering the whole of the data. Furthermore, the question suggests that the candidate must manipulate the data in some way rather than merely repeating, for example, the figures

themselves. Most candidates did gain the mark available but often only amid a great deal of unnecessary additional description. Candidates who gained 0 marks often did so because they simply repeated figures from the data and did not apply them to the question.

(ii) Another typical question that asks candidates to differentiate between the rate of inflation and changes in price levels. Around 50 per cent of candidates recognised that positive rates of inflation (even if rates are falling) meant that prices continue to increase albeit at a slower rate. The most common error was to state that a fall in inflation rates meant prices were also falling.

(iii) The key to this question was a clear understanding of what is meant by the term 'real wages'. Although many candidates recognised that inflation was a factor, most were unable to apply this to nominal / actual wage increases as compared to price increases and for this reason, many candidates scored 0 marks. Many simply answered the question in terms of disposable rather than real income and simply discussed spending power or the impact of income tax, unemployment, etc. In such a question, candidates need to demonstrate a clear understanding of the terminology to apply it.

(b) A common misconception among candidates is that goods provided directly by the government are automatically public goods whether free of charge or not. An additional common issue with questions of this type is that the terms excludable and rivalry are either not clearly understood or they are explained together with no clear separation of their meaning, e.g., it was not uncommon to read that the consumption of a school meal by one student reduces the amount available for another student, therefore making it excludable which is obviously incorrect. A significant number of candidates made either one or both errors which led to some very low marks. School lunches are clearly private goods whether they are provided free of charge by the government because they could be excludable by charging a price if so desired and they will be rivalry in the sense that there cannot be an infinite number of lunches so the consumption by one student will reduce the amount available for other students. Both features of private goods are therefore satisfied. Whilst many countries have government provided goods and services, this does not automatically make them public goods in economics and this point needs to be emphasised.

(c) The first point to make about this question is the need to read the question carefully. A significant number of candidates incorrectly attempted to use the data from **Figure 1.1** showing the Russian annual inflation rate rather than the data from **Table 1.1** showing the government budget balance changes. Clearly this led to many candidates gaining 0 marks. Of those who did use the correct data, once again, many ignored the key word 'changes' and took a year-by-year approach rather than the overall change in the budget balance. The important point to note is that the balance moved from a deficit to a surplus and then to analyse the possible impact of this change on the rate of inflation. Most candidates who recognised this change were then able to explain the impact on AD and therefore inflation. Better candidates did this via an accurate diagram and considered both a possible rise in taxation and a fall in government spending. However, most of these candidates were unable to recognise that this may also shift AS to the left, e.g., due to reduced subsidies, investment, which may increase the rate of inflation depending on the size of the respective shifts in AS and AD. Consequently, marks of 5 or 6 were relatively rare. In addition, some candidates who correctly identified the change to a budget surplus incorrectly concluded that this meant the government was increasing its spending due to more revenue which may be a long-term impact but did not answer this question.

(d) Most candidates gained at least some credit and there was a full range of marks. The main weakness was a tendency to assert points without any underlying attempt at an explanation. For example, 'the fall in the value of the rouble will lead to a current account surplus' may possibly be accurate but without any explanation as to why, the statement has little merit. Also, the question asked for an assessment of the impact of these changes on the Russian **economy** so a simple statement that exports would increase also lacks much merit unless linked to, e.g., levels of employment. Although there was also a tendency to refer to the Marshall-Lerner condition without any explanation, there were some very good answers that clearly considered the significance of PED, e.g., oil as a product tends to be price inelastic when assessing the relative threats and opportunities. As ever, good analysis and evaluation requires some degree of explanation and those candidates who had the knowledge to do so, gained very good marks on this question.

Section B – Essays

Question 2

(a)   This was probably the most popular essay question and was generally well answered. However, many candidates seemingly reproduced class notes on the topic which meant that quite often, time was wasted detailing the concept of opportunity cost, scarcity, and the significance of points below, on and outside the curve. Although accurately reproduced, such application was irrelevant to this question and occasionally meant that the main points relating to the question were unclear or even omitted. Most candidates were able to display accurate knowledge through an accurate diagram and there were relatively few who incorrectly labelled the axes as P and Q or simply X and Y. Of the two scenarios, the growth in the productive capacity was explained best in most cases with valid causes given showing the PPC moving outwards. The scenario of growth resulting from a reduction in the quantity of unused resources was less well explained and common errors were to suggest this might come from hitherto undiscovered resources and/or to suggest that this would also cause the PPC to move outwards rather than from a point within the curve. This meant that the final three marks were sometimes missed.

(b)   It is essential to clarify that in **part (b)** of essays, marks are not specifically awarded for knowledge of the terms used within the question. Hence in this question, no credit was given for the occasionally lengthy descriptions of what is meant by a planned economy, market economy, etc. Likewise, the question focused on the disadvantages of a planned economy and therefore long descriptions of the advantages were often totally irrelevant. Such knowledge is useful to underpin the analysis of the disadvantages of a planned economy and the benefits of a transition to a more market-based economy but should not form most of the content of the answer. Strong answers were able to explain why the planned economy may have disadvantages and explain the advantages and disadvantages of a transition. Weaker answers tended to be assertive and very generalised and therefore gained very little credit, e.g., planned economies tend to produce goods of a lower quality without any explanation why this may be the case. Analysis requires underpinning explanation to gain credit and effective evaluation must make direct use of this analysis to answer the question, i.e., whether the transition would be of overall benefit. Simple summaries cannot be credited as evaluation. In this question, there were many examples of strong analysis but very few examples of strong evaluation that clearly weighed up both sides to come to a justified conclusion.

Question 3

(a)   This was a straightforward question that proved accessible to most candidates who attempted it leading to a high proportion of maximum marks. Where candidates did not achieve high marks, this was often a combination of two factors. First, an incomplete formula and/or a less than precise written definition. Candidates need to emphasise that it is the responsiveness of percentage changes in demand to percentage changes in income that is being measured and this needs to be reflected in the knowledge and understanding. Second, the question asked candidates to consider the impact of a fall in incomes on the equilibrium price and quantity of both normal and inferior goods. The explanation was intended to arise from the use of appropriate diagrams, i.e., more than one. Candidates who used only one diagram or used the income / quantity demand slope diagrams, were unable to demonstrate the impact effectively so therefore lost marks. Even among good answers though, much time was lost by also describing the impact of a rise in incomes, examples of inferior, normal, and even luxury goods and even discussions about whether the goods were income elastic or inelastic. Such descriptions were irrelevant and possibly wasted valuable time. Pleasingly though, few candidates mixed up price elasticity of demand with income elasticity of demand.

(b)   Questions about the usefulness of elasticity measures to businesses and/or governments are regularly asked. However, candidates must take careful note of the focus of the question before attempting an answer and avoid overly descriptive '*all I know about elasticity*' responses. The focus of this question was a discussion of the difficulties a business may have in controlling the factors that determine PED. It did not require analysis of **why** businesses may, e.g., want to make a product more price elastic / inelastic which many candidates did, often involving a series of unnecessary diagrams leading to no credit being awarded. Also, whilst an accurate knowledge and understanding of the factors that determine PED was essential, it was not necessary to explain these in detail. Unfortunately, many candidates did just that and referred to difficulties in their control in passing only or not at all. Such an approach led to very low marks. Higher marks were

rare and were reserved for candidates who focused on the question and analysed the **difficulties** in controlling individual factors without describing the factors themselves in detail and as such were able to come to justified conclusions.

Question 4

(a)   **Question 4** proved to be the least popular essay question possibly because of the perceived accessibility of **2(a)** and **3(a)**. Most of those who attempted this question were able to accurately explain the current account beyond simply exports and imports. Furthermore, the balance was also measured in terms of value rather than volume in most cases. The key to the application of this question though was in terms of the causes of a surplus and the number of unused resources within the economy. Those who recognised this gained very good marks e.g., if the economy is at full employment already, an increase in the current account surplus would only increase prices and employment levels would remain the same. However, most adopted a simple approach with the occasional use of a SRAS / AD diagram to show employment and prices both rising. Some credit was given but marks were generally low.

(b)   Responses to this question were of variable quality and the main issue was how well the analysis focused on the removal of a **persistent** deficit on the current account. Most candidates were able to distinguish between expenditure reducing and expenditure switching policies (although a minority confused them or failed to identify them leading to 0 marks) but their usefulness was often not fully analysed in removing a persistent deficit. In some cases, expenditure reducing policies were accurately identified but no attempt was made to explain how they might reduce the deficit **or** only a passing reference was made to a possible reduction in the level of imports leading to 0 or very low marks. Expenditure switching policies were analysed more successfully but again too much time was spent explaining the mechanics of, e.g., tariffs and not how successful they might be in reducing a persistent deficit. Disadvantages of such policies focused on retaliation and the significance of PED / Marshall Lerner although the latter was often asserted without explanation as in **1(d)**. As a result of weak analysis regarding the removal of a persistent deficit, evaluation was generally limited. However, there were some very strong responses that clearly addressed the question that gained up to the full 12 marks available.

ECONOMICS

Paper 9708/23
AS Data Response and Essay

Key messages

- Questions may be drawn from any part of the applicable syllabus, and it is essential that candidates are prepared across the whole range of the syllabus. This is particularly essential for the compulsory data response **Question 1**.
- Knowledge and understanding must be accurate, clear, and relevant to the question being answered. Vague knowledge and understanding will gain little or no credit.
- Application is only rewarded when the knowledge and understanding is accurate and correctly used to answer the question. Candidates should avoid unnecessary descriptions/explanations of, e.g., economic concepts and theories which may be correct but are not clearly applied to the set question.
- Analysis involves an assessment rather than a series of unexplained assertions/statements. This involves, e.g., an assessment of the strengths and weaknesses/usefulness of economic theory/ concepts and policies where relevant. Simple or unexplained assertions will receive little or no credit.
- Summative statements/paragraphs do not necessarily result in evaluation marks being awarded. Evaluation must be based on accurate analysis which is assessed to present **an answer to the question**. One mark is generally reserved for a justified conclusion where appropriate.
- Finally, candidates should be encouraged to spend time reading the questions and carefully noting the mark allocations. This should avoid spending unnecessary time and effort, e.g., on low mark questions and presenting accurate yet irrelevant material within the answer and instead focusing on the requirements of the question itself.

General comments

- Marks were widespread although there were only a few who gained very high marks despite the accessibility of the paper based on previous performance.
- Those who gained low marks were seemingly unprepared and often lacked the basic knowledge and understanding to approach this paper.
- Those who did have sufficient knowledge and understanding and who could apply their knowledge to the question, were often assertive in their analysis and answered without appropriate explanation. Consequently, marks for analysis and evaluation were often low.
- However, there was a minority of candidates who were able to combine the four assessment objectives to obtain very good marks.

Comments on specific questions

Section A – Data Response

Question 1

(a) Candidates need to be aware that when a question refers to changes between two dates then they should not be describing year to year changes within the time itself. The focus should be on the change between the two dates in question. This should avoid the unnecessary and often irrelevant detail seen in many answers to questions such as this. In this question, there were 2 marks for identifying two changes and the most quoted changes were the increase in imports into the USA and the continued dominance of Mexico as the main exporter. However, this was often hidden in a great deal of unnecessary additional detail.

(b)(i) This was a simple percentage change calculation. It was acceptable to use the data from the start or end of April as the starting point which gave answers of 100 per cent or 33 per cent respectively. Unfortunately, many candidates were unable to make this simple calculation and did not gain the

available mark. As this is an important data handling skill, students would be well advised to ensure that they know the formula for calculation.

(ii) The important point of this question was to identify why the price of avocados had changed, i.e., risen. It was therefore important to identify why demand and supply factors had changed **during** the period and therefore standard responses such as changes in income, tastes, etc. were not accepted unless linked to the data. The main demand factors related to **new** research into health benefits and panic buying whereas the main supply factor related to the weather problems outlined in the text. In both cases, it was then essential to explain how these led to price rises due to an increase in demand and a fall in supply. Many candidates did gain full marks and those who did not made vague statements, did not relate factors to the data, and/or did not clearly demonstrate how the price increased.

(c) The data made it very clear that the supply of avocados in the short run would be price inelastic due to the uncertainty of crop yields and problems of storage. However, in the long run supply may become more price elastic as growers adapt and therefore can change levels of supply more easily. Pleasingly, many candidates recognised this and gained full marks. However, many candidates continue to be confused by elasticity concepts and confused elastic and inelastic and /or confused PES with PED and therefore gained 0 marks.

(d) This was a straightforward question about the use of the PPC to show opportunity cost. Whilst many candidates were able to draw an accurate curve and use it to show resources moving from dairy to avocado production and therefore opportunity costs, the majority by far ignored the relevance of the shape of the curve and therefore gained a maximum of 2 out of the 3 marks available. This point is clearly covered in the syllabus, and it was surprising that it was ignored in a question of this nature. The main reasons for zero marks were inaccurate or incompletely labelled diagrams or diagrams which were possibly more applicable to demand and supply analysis.

(e) There were a small number of very good answers to this question that clearly considered the role of the price mechanism in allocating resources successfully. Invariably, arguments suggesting that it did not tend to focus on environmental damage but failed to consider other failures such as surplus supply, etc. Quite often however, the environmental damage was the only relevant point considered which was the main cause of some low marks. A small minority of answers seemingly did not understand the question or the role of the price mechanism which is surprising given its importance within the syllabus.

Section B – Essay questions

Question 2

(a) Most of all the candidates answered **Question 2** although most answers displayed a limited understanding of the difference between public and private goods. The characteristics that differentiate the two types of good are excludability and rivalry and not whether they are provided by government or the private sector as was suggested by many candidates. Even when the characteristics were identified, they were seldom explained clearly and accurately or occasionally lacked any explanation at all. Consequently, for most candidates, it was not possible to answer this question beyond a rudimentary grasp and even for those candidates who could explain why flood defences were a public good, the same logic was not applied to explain why it could not be a private good. Again, this is a very important part of the syllabus and frequently examined so the low quality of responses was a surprise. Overall marks were in the range of 0 and 5 with most around 2/3 out of the available 8.

(b) The significance of information failure and therefore underconsumption and under provision was often ignored in favour of merit goods 'being good for you'. An understanding of this, together with the cost of provision was the basis for answering this question but most candidates simply based answers around assertions, e.g., private provision of education is of better quality so better off families will always choose it whereas poorer families will opt for public provision. A sound grasp of what merit goods are and the fact that both sectors may provide them, and the reasons why was not in evidence in most scripts. Again, this is a regularly examined and important part of the syllabus, and it was surprising to see a lack of economic analysis by many candidates.

Question 3

(a)   Relatively few candidates attempted this question which simply required a straightforward explanation of the difference between cost push and demand-pull inflation. Of those who did attempt it, most achieved marks of between 5 and 8 and the main reasons why full marks were not gained lay in a lack of precision as to what inflation is and/or some assessment of the difference between the two causes.

(b)   Again, a straightforward question and when taken together with **part (a)**, it is surprising that more candidates did not attempt **Question 3**. However, candidates need to be reminded that a question that asks whether a certain policy is the best way, suggests that it is necessary to compare it with an alternative policy. Of the few that answered this question, some tried to answer it by analysing the strengths and weaknesses of monetary policy in isolation which could only gain a maximum mark of 4. The most common alternative policy discussed was fiscal policy and better answers also considered supply side policies. Answers tended to be descriptive without sufficient depth of explanation, e.g., a rise in interest rates increases the exchange rates which increases the current account deficit. This may be true but, without explanation, it is an assertion and has little merit. Reasonable evaluation was rare and often consisted of summative statements repeating the analysis that did not offer an attempt to answer the question – which is the best way?

Question 4

(a)   This question was answered by too few candidates to offer an assessment of overall performance. The knowledge and understanding part consisted of the meaning of the current account and the term deficit. What was needed was an understanding that the current account takes in to account more than the trade in goods and services and includes other income such as primary and secondary income. Furthermore, a deficit occurs when the total value of 'import expenditure' exceeds the total value of 'export revenue', i.e., the emphasis should be on value and not volume. Even in the limited number of responses seen, such accurate knowledge was rare. Those who did attempt this question were generally able to explain one cause of a deficit but were unable to explain the causes of persistent deficits which are generally structural.

(b)   This type of question has been asked frequently and requires a comparison of expenditure reducing and expenditure switching policies in terms of their usefulness in reducing a current account deficit. The main issue among the answers seen is that the policies may have been described but the extent to which they may reduce a deficit was rarely fully considered i.e., the strengths and weaknesses of each policy. Simply demonstrating knowledge of the mechanics of the policies has little or no merit unless the analysis considers their strength in reducing a deficit on current account. Consequently, good answers were rare which again is surprising given its popularity in the past as an exam question.

ECONOMICS

Paper 9708/31
A Level Multiple Choice

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

General comments

The questions for which most candidates selected the correct answer were **1**, **3**, **12**, **17**, **19**, **22** and **28**. These questions were answered correctly by 70 per cent or more of the candidates. They covered different parts of the syllabus and were set to test different skills.

The questions for which the fewest candidates selected the correct answer were **9**, **10**, **14**, **23**, **24** and **26**. These questions were answered correctly by fewer than 40 per cent of the candidates.

Comments on specific questions

Question 9

This question was answered correctly by 46 per cent of the candidates who chose option **C**. 15 per cent chose option **A**, 20 per cent chose option **B** and 19 per cent chose option **D**. In the long run, in monopolistic competition, at the output that maximises profits the firm will make normal profits. The average revenue will be equal to the average cost and thus the price will not be greater than the average cost (option **C**).

Cambridge Assessment International Education

Question 13

This question was answered correctly by 46 per cent of the candidates who chose option **B**. 4 per cent chose option **A**, 12 per cent chose option **C** and 38 per cent chose option **D**. Non-excludability is a criterion of a public good. Public goods will not be provided by the market system as consumers can benefit from them without making any payment. Those who chose option **D**, non-excludability, may well have omitted to notice that the question asked what is **not** a source of market failure.

Question 15

This was answered correctly by 39 per cent of the candidates who chose option **D**. 45 per cent chose option **A**, 12 per cent chose option **B** and 4 per cent chose option **C**. Nudge theory deals with actions that attempt to modify or influence consumer behaviour indirectly or incidentally. The idea of the question is that fruit is considered to be a healthy product to eat and simply placing it where consumers spend time queuing might cause them to buy more without any persuasive advertising. (Option **D**). Option **A** might change consumer behaviour but it is not an indirect intervention.

Question 24

This was answered correctly by 47 per cent of the candidates who chose option **C**. 30 per cent chose option **A**, 4 per cent chose option **B** and 19 per cent chose option **D**. A positive output gap occurs when an economy is fully employed and over-utilising its resources. This happens when demand is very high and, to meet that demand, factories and workers operate above their most efficient capacity. The result is that inflation is likely to occur.

Question 25

This question was answered correctly by 29 per cent of the candidates who chose option **D**. 30 per cent chose option **A**, 31 per cent chose option **B** and 10 per cent chose option **C**. The transactions demand for money is linked to the level of income rather than the rate of interest, (option **A** is, therefore, incorrect). Liquidity is interest elastic, not inelastic, at low rates of interest (option **B** is, therefore, incorrect). The demand for liquidity is not constant or stable (option **C** is, therefore, incorrect).

ECONOMICS

Paper 9708/32
A Level Multiple Choice

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

General comments

The questions for which most candidates selected the correct answer were **1**, **4**, **5**, **10**, **17**, **18**, **20**, **21**, **22** and **25**. These questions were answered correctly by 80 per cent or more of the candidates. They covered different parts of the syllabus and were set to test different skills.

The questions for which the fewest candidates selected the correct answer were **11** and **24**. These questions were answered correctly by fewer than 40 per cent of the candidates.

Comments on specific questions

Question 11

This question was answered correctly by 39 per cent of the candidates who chose option **D**. 21 per cent chose option **A**, 17 per cent chose option **B** and 23 per cent chose option **C**. Diseconomies of scale in the combined larger company would support the idea of separate companies. This limits the choice to options **B**, **C** and **D**. In order to operate separate companies, the markets themselves would need to be easily separated. This would eliminate option **B** and now leave the choice between options **C** and **D**. The domestic market had relatively little competition and this would be an important factor in determining prices and profits. This would eliminate option **C** and leave the key as **D**.

Cambridge Assessment
International Education

Question 24

This was answered correctly by 31 per cent of the candidates who chose option **C**. 23 per cent chose option **A**, 16 per cent chose option **B** and 30 per cent chose option **D**. Currency flow is the inflow and outflow of currency from one country to another country – option **C**. The other options have no international context.

ECONOMICS

Paper 9708/33
A Level Multiple Choice

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

General comments

The questions that the candidates found most challenging were **6**, **13**, **24**, **25** and **27**. These were answered correctly by fewer than 30 per cent of the candidates.

Comments on specific questions

Question 6

This question was answered correctly by 25 per cent of the candidates who chose option **B**. 3 per cent chose option **A**, 34 per cent chose option **C** and 38 per cent chose option **D**. For a price fall the substitution effect would always causes a rise in demand whatever the type of good. This limits the choice of option to **B** or **D**. With an inferior good when there is a fall in price there is a rise in real income and consumers would prefer to purchase a different good that they do not regard as inferior. The price fall will cause a fall in demand for the income effect (option **B**) and this will be greater than the rise in demand caused by the substitution effect leading to an overall fall in demand.

Cambridge Assessment
International Education

Question 13

This was answered correctly by 28 per cent of the candidates who chose option **B**. 6 per cent chose option **A**, 19 per cent chose option **C** and 47 per cent chose option **D**. Non-excludability is a criterion of a public good. Public goods will not be provided by the market system as consumers can benefit from them without making any payment. Those who chose option **D**, non-excludability, may well have omitted to notice that the question asked what is **not** a source of market failure.

Question 24

This question was answered correctly by 25 per cent of the candidates who chose option **C**. 38 per cent chose option **A**, 0 per cent chose option **B** and 37 per cent chose option **D**. A positive output gap occurs when an economy is fully employed and over-utilising its resources. This happens when demand is very high and, to meet that demand, factories and workers operate above their most efficient capacity. The result is that inflation is likely to occur.

Question 25

This was answered correctly by 16 per cent of the candidates who chose option **D**. 34 per cent chose option **A**, 31 per cent chose option **B** and 19 per cent chose option **C**. The transactions demand for money is linked to the level of income rather than the rate of interest, (option **A** is, therefore, incorrect). Liquidity is interest elastic, not inelastic, at low rates of interest (option **B** is, therefore, incorrect). The demand for liquidity is not constant or stable (option **C** is, therefore, incorrect).

Question 27

This was answered correctly by 22 per cent of the candidates who chose option **B**. 3 per cent chose option **A**, 16 per cent chose option **C** and 59 per cent chose option **D**. Foreign aid refers to the international movement of money, services, or goods from governments or international institutions for the benefit of the recipient country or its population. The only column that represents official aid from a government or international institution is the middle column 'official development assistance'. The other two columns can be private sector transactions.

ECONOMICS

Paper 9708/41
A Level Data Response and Essays

General comments

There were some well answered, balanced and focussed responses which applied economic concepts effectively and demonstrated the higher level skills of analysis and evaluation required to attain Level 4 marks in **Section B**.

As in previous papers the key weakness in some of the answers was that the candidate did not direct their response precisely to the question asked. This was particularly evident in **Question 2** where market failure required to be discussed in the context of allocative inefficiency. Similarly in **Question 4(a)** where the requirement was to discuss trade union intervention in the context of a specific occupation and leading to a discussion of perfect and imperfect labour markets.

The most popular questions selected in **Section B** were the microeconomic **Questions 2**, **3** and **4**. Few candidates selected the macroeconomic questions with **Question 5** and **Question 6** proving particularly unpopular.

Comments on specific questions

Section A

Question 1

(a)   This question required candidates to comment on productivity with per unit output in a given time period being the two key elements required. There were a number of undeveloped references to efficiency and answers which addressed production rather than productivity were common.

(b)   Better responses stated the importance of innovation as well as investment and infrastructure as one of three strategies linked to improved productivity. Evidence from the bar chart was then used to support and to refute the statement. A number of candidates failed to make a concluding point.

(c)   Candidates were expected to comment on productivity in the US. A few candidates commented about the UK and lost marks. At least four contributing factors needed to be selected from the information to support the comment.

(d)   Candidates were required to use the information to discuss the likelihood that the UK's productivity within the G7 would improve. Answers to this question varied considerably with few candidates making a distinction between short term and long term improvements. Stronger candidates produced a balanced assessment but a number of candidates missed the potential long-term improvements from Research and Development in digital technology and biomedical research and increased government investment in transport structure. A brief conclusion was required for full marks.

Section B

Question 2

This question was a popular choice.

(a)   This question required candidates to discuss the characteristics of a public good. The question was generally well answered with references to non-excludable and non-rival but less so with non-divisible and non-rejectable aspects. Most candidates provided supporting examples. Fewer candidates discussed market failure in the context of allocative inefficiency. Few candidates provided evaluative comments about the potential impact on total consumer satisfaction if certain public goods are not provided. Some candidates lost their way and discussed government failure.

(b)   Better responses went beyond descriptive explanations of different types of barrier to entry identifying specific costs and benefits and applying these to both the producer and consumer. Few candidates attempted to summarise the extent to which producers/consumers might achieve a net benefit. A surprising number of candidates did not attempt to provide a definition of a monopoly.

Question 3

(a)   This question required that candidates explain the concept of normal profit in the long run with reference to both firms in perfectly competitive and monopolistic markets. The majority of candidates who attempted this question produced accurate and correctly labelled diagrams and they are to be commended for this. It was also pleasing to see that many candidates were able to conclude that both market types are not equally efficient in the long run, giving reasons why.

(b)   Most candidates used the kinked demand curve to explain the pricing problem in conjunction with Game theory. However this was not, in many responses, clearly identified as a solution to the problem stated in the question. Better responses attempted to link the three concepts of interdependence, the kinked demand curve and Game theory.

Question 4

(a)   A popular question but many candidates gave descriptive responses referring to different costs linked to trade union intervention in the labour markets. More competent responses provided analytical support in the context of wage determination in competitive and non-competitive markets and providing examples of a specific occupation. Few candidates attempted to compare the relative costs and benefits in each case.

(b)   The majority of candidates were able to illustrate the impact of a minimum wage imposed above the existing market equilibrium. Most candidates were able to discuss the impact upon employees of higher wages but also the potential costs in terms of inflationary pressure and job losses. Fewer comments were made about the possible benefits to employers although there were some references about reduced employee turnover and increases in productivity.

    To attain Level 4 marks discussion relating to the extent of agreement based upon the preceding analysis was required. This was not attempted or done well in most cases.

Question 5

Not a popular choice. This question required candidates to produce an accurately labelled circular flow diagram. The majority of candidates opted to produce the five sector model but it was also useful in the context of showing the impact of export led growth upon national income to use the Keynesian Income-Expenditure model. Better responses were able to describe how export led growth might impact upon living standards. A number of candidates failed to respond in the context of a developing economy.

Question 6

(a)   This was not a popular question. Most candidates used the Keynesian model but the transmission link between money supply, interest rates, GDP and employment was often unclear thus leading to only a partially developed analysis at best. Those candidates who opted for a mainly descriptive approach provided limited analysis beyond Level 2.

(b)   Candidates were expected to discuss the functions of Commercial Banks: The primary functions include accepting deposits, granting loans, advances, cash, credit, overdraft and discounting of bills. Few candidates went beyond a descriptive list of functions. Better responses provided descriptions of at least two functions in a developed economy. Few responses attempted to discuss and analyse the importance of these roles.

Question 7

This was the most popular of the three macroeconomic questions.

Most candidates attempted to define the term unemployment and the meaning of a budget deficit. Weaker candidates produced a list of various types of unemployment and in doing so, by default rather than design, included cyclical and structural causes. Common responses attempted to distinguish between Keynesian demand side and Monetarist supply side policies but generally this was not supported by any deeper analysis. Fewer candidates went on to consider the effectiveness of the two policies thereby attaining, at best, Level 3 responses. Few responses met the Level 4 mark criteria.

ECONOMICS

> **Paper 9708/42**
> **A Level Data Response and Essays**

Key messages

- It is worth re-iterating the **Key messages** of previous reports
- 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 did not fully develop the analytical aspects of the question or to apply it to the context of the question.
- Many questions contained the trigger word 'Discuss'. This term required an argument or debate within the answer and the drawing of a conclusion to access the higher levels in the mark scheme. Many answers were one sided or left the examiner free to draw his/her own conclusions.
- 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 of the questions 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 diagrams, or even a perfectly presented diagram without any reference to it 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.
- A number of 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.

Comments on specific questions

Candidates are reminded the paper is titled in part 'Data Response' which implies that reference should be made to the data/text where relevant or specified in the question.

Question 1

(a)   Many candidates correctly identified the formality of the cartel agreement and were able to gain the additional mark available for further development of the concept.

(b)   The informal nature of collusion was identified in better responses. Most were able to explain the implications of collusion and relate it to the idea of price leadership.

(c)   The text contained a significant amount of information in terms of fixed and variable costs and the difference between US and Saudi Arabia that candidates used to develop their responses. However, only the better responses clearly explained the effect of these differences on the short run shut down for the two countries.

(d)   The candidates who read the question and understood its requirement were able to access the higher marks. Candidates who identified the sequence of events which the question referred to and related the answer to falling export revenue (referred to in the text) and the consequent fall in aggregate demand placed themselves in a position to be able to develop an answer which analysed different responses that Russia and Saudi Arabia might make. Information was again present in the text to indicate the need for differing responses which the better candidates identified and tailored their responses to.

Question 2

This was the second most popular question.

Many candidates scored at level 3 and level 4. Explanations of indifference curves, the budget line, and their combination to strike an equilibrium were accompanied by well-drawn diagrams which were referred to in the text of their answers. The best responses covered the range of alternative types of goods, normal, inferior and Giffen, again accompanied by relevant and clearly drawn diagrams and good analysis. The very best provided some evaluation of their responses and the limitations that the assumption of rationality subjected the analysis to.

Question 3

(a)   This was a technical question and those candidates defined and explained the derivation of the marginal revenue and average revenue made a good start. Those who recognised the question required them to relate those concepts to marginal costs and average costs to produce the profit maximising output in perfect competition in both the short run and the long run scored well

Candidates who omitted elements of this analysis or merely described those elements scored less well.

(b)   Candidates' responses to this part of the question were variable. The better candidates identified and explained a number of different economies of scale and the contribution they made to reducing long run average costs and erecting barriers to entry. Further development took place in terms of how this enabled firms to survive. Many gave only a brief description of economies of scale and ignored the survival of firms entirely.

Question 4

(a)   Candidates who identified the problem as one of allocative efficiency and restricted their answer to that aspect of efficiency were able to concentrate on the relevant material. The question indicated that climate change and global warming were the focus of the question and the candidates who responded to this prompting were rewarded. A significant number of answers ignored this aspect of the question.

(b)   This was well answered by most candidates. The policies identified, analysed and evaluated were relevant to the specific question. Diagrams were relevant, accurate, readable, and related to the text.

Question 5

The question required candidates to direct their answers to examining the relationship between economic theory and the absence of government interference. It was pleasing to see so many examples where the candidates were able to apply their knowledge of wage theory to the specific question. The better responses were more able to provide a reasoned analysis of forces of supply and demand and the determination of wages and when the operation of the market may require government interference. It was good to see fewer prepared answers containing 'all I know about wage theory' which sometimes are presented.

Question 5

Good responses showed a wide range of knowledge of HDI, MEW and GNI and were capable of using this knowledge to evaluate the relative value of the measures in providing an estimate of living standards. All candidates had a good understanding of GNI and compared it to HDI and/or MEW. Some however failed to make explicit links between the measures and the standard of living. In other cases, the knowledge base for HDI and MEW was limited thus making a complete analysis and evaluation difficult. Candidates should be

made aware that detailed resources are available which allow an in-depth analysis to be made. As with other questions those candidates who performed less well did so because of only partial analysis of the four elements of the question.

Question 6

This was the most popular question.

(a)   The best responses identified at least three different characteristics of developed/developing countries and more importantly were able to provide the relevant analyses of why the differences existed. Weaker responses often provided a longer list of characteristics but no analysis of why, e.g., output was low in developing countries, merely a statement that it was.

(b)   Those candidates who defined standard of living and GDP before suggesting that GDP needed to be deflated for price and population changes made a good start to their response. The development and discussion a range of other limitations of GDP enhanced the responses. The better responses then chose one or two alternative measures as a further basis for comparison. In the best answers a continuous evaluation of measure(s) was made.

Question 7

This was the least popular question

(a)   This may have been the least popular question, but **part (a)** saw some high-quality responses. Candidates who provided an explanation of the three demands for money and had a strong grasp of their relationship to the rate of interest scored high marks. Good diagrams of the relevant relationship were presented. Weaker responses were not able to explain the inverse relationship between the speculative demand for money and the rate of interest.

(b)   Candidates who recognised that the question required them to discuss and evaluated monetary policy and its alternatives applied to a range of macroeconomic aims simultaneously scored well. However, many candidates restricted their response to monetary policy or to a single macroeconomic aim or at most two aims, e.g., inflation and employment rather than inflation, employment, balance of payments.

ECONOMICS

> **Paper 9708/43**
> **A Level Data Response and Essays**

General comments

There were some well answered, balanced and focussed responses which applied economic concepts effectively and demonstrated the higher level skills of analysis and evaluation required to attain Level 4 marks in **Section B**.

As in previous papers the key weakness in some of the answers was that the candidate did not direct their response precisely to the question asked. This was particularly evident in **Question 2** where market failure required to be discussed in the context of allocative inefficiency. Similarly in **Question 4(a)** where the requirement was to discuss trade union intervention in the context of a specific occupation and leading to a discussion of perfect and imperfect labour markets.

The most popular questions selected in **Section B** were the microeconomic **Questions 2**, **3** and **4**. Few candidates selected the macroeconomic questions with **Question 5** and **Question 6** proving particularly unpopular.

Comments on specific questions

Section A

Question 1

(a) This question required candidates to comment on productivity with per unit output in a given time period being the two key elements required. There were a number of undeveloped references to efficiency and answers which addressed production rather than productivity were common.

(b) Better responses stated the importance of innovation as well as investment and infrastructure as one of three strategies linked to improved productivity. Evidence from the bar chart was then used to support and to refute the statement. A number of candidates failed to make a concluding point.

(c) Candidates were expected to comment on productivity in the US. A few candidates commented about the UK and lost marks. At least four contributing factors needed to be selected from the information to support the comment.

(d) Candidates were required to use the information to discuss the likelihood that the UK's productivity within the G7 would improve. Answers to this question varied considerably with few candidates making a distinction between short term and long term improvements. Stronger candidates produced a balanced assessment but a number of candidates missed the potential long-term improvements from Research and Development in digital technology and biomedical research and increased government investment in transport structure. A brief conclusion was required for full marks.

Section B

Question 2

This question was a popular choice.

(a) This question required candidates to discuss the characteristics of a public good. The question was generally well answered with references to non-excludable and non-rival but less so with non-divisible and non-rejectable aspects. Most candidates provided supporting examples. Fewer candidates discussed market failure in the context of allocative inefficiency. Few candidates provided evaluative comments about the potential impact on total consumer satisfaction if certain public goods are not provided. Some candidates lost their way and discussed government failure.

(b) Better responses went beyond descriptive explanations of different types of barrier to entry identifying specific costs and benefits and applying these to both the producer and consumer. Few candidates attempted to summarise the extent to which producers/consumers might achieve a net benefit. A surprising number of candidates did not attempt to provide a definition of a monopoly.

Question 3

(a) This question required that candidates explain the concept of normal profit in the long run with reference to both firms in perfectly competitive and monopolistic markets. The majority of candidates who attempted this question produced accurate and correctly labelled diagrams and they are to be commended for this. It was also pleasing to see that many candidates were able to conclude that both market types are not equally efficient in the long run, giving reasons why.

(b) Most candidates used the kinked demand curve to explain the pricing problem in conjunction with Game theory. However this was not, in many responses, clearly identified as a solution to the problem stated in the question. Better responses attempted to link the three concepts of interdependence, the kinked demand curve and Game theory.

Question 4

(a) A popular question but many candidates gave descriptive responses referring to different costs linked to trade union intervention in the labour markets. More competent responses provided analytical support in the context of wage determination in competitive and non-competitive markets and providing examples of a specific occupation. Few candidates attempted to compare the relative costs and benefits in each case.

(b) The majority of candidates were able to illustrate the impact of a minimum wage imposed above the existing market equilibrium. Most candidates were able to discuss the impact upon employees of higher wages but also the potential costs in terms of inflationary pressure and job losses. Fewer comments were made about the possible benefits to employers although there were some references about reduced employee turnover and increases in productivity.

To attain Level 4 marks discussion relating to the extent of agreement based upon the preceding analysis was required. This was not attempted or done well in most cases.

Question 5

Not a popular choice. This question required candidates to produce an accurately labelled circular flow diagram. The majority of candidates opted to produce the five sector model but it was also useful in the context of showing the impact of export led growth upon national income to use the Keynesian Income-Expenditure model. Better responses were able to describe how export led growth might impact upon living standards. A number of candidates failed to respond in the context of a developing economy.

Question 6

(a)   This was not a popular question. Most candidates used the Keynesian model but the transmission link between money supply, interest rates, GDP and employment was often unclear thus leading to only a partially developed analysis at best. Those candidates who opted for a mainly descriptive approach provided limited analysis beyond Level 2.

(b)   Candidates were expected to discuss the functions of Commercial Banks: The primary functions include accepting deposits, granting loans, advances, cash, credit, overdraft and discounting of bills. Few candidates went beyond a descriptive list of functions. Better responses provided descriptions of at least two functions in a developed economy. Few responses attempted to discuss and analyse the importance of these roles.

Question 7

This was the most popular of the three macroeconomic questions.

Most candidates attempted to define the term unemployment and the meaning of a budget deficit. Weaker candidates produced a list of various types of unemployment and in doing so, by default rather than design, included cyclical and structural causes. Common responses attempted to distinguish between Keynesian demand side and Monetarist supply side policies but generally this was not supported by any deeper analysis. Fewer candidates went on to consider the effectiveness of the two policies thereby attaining, at best, Level 3 responses. Few responses met the Level 4 mark criteria.