

ECONOMICS

Paper 9708/11
AS Level Multiple Choice

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

General comments

Due to an issue with questions 22 and 30, these questions have been removed from the question paper.

Candidates dealt with both macroeconomic and microeconomic questions equally well. Almost 50 per cent of the questions were answered correctly by fewer than 50 per cent of candidates. **Questions 3** and **6** were answered most successfully (75 per cent or above).

Comments on specific questions

24 per cent of candidates were able to answer **Question 9** correctly. This question required candidates to recognise the relationship between a price reduction, price elasticity of demand and the effect of this upon total revenue. If the demand is price elastic, a price reduction will lead to an increase in total revenue. Hence option **D** was the correct response. A surprisingly large percentage of candidates (36 per cent) chose option **A** which simply stated 'the quantity responds to a change in price'. Although this is partially correct, it did not relate to the key element of the question i.e. elasticity.

Question 13 was answered correctly by 32 per cent of candidates who chose option **C**. This question required candidates to be able to identify a disequilibrium situation where excess demand would occur. Excess demand would normally occur when a price is set below the market equilibrium price. Option **C** was therefore correct. A significant proportion of candidates chose option **D** (37 per cent) which stated that supply needed to be inelastic in the short run. This was incorrect because although an inelastic supply would cause price to rise, the rise in price would still be established at an equilibrium point i.e. where there would be no excess demand.

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Paper 9708/12
AS Level Multiple Choice

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

General comments

Candidates dealt with microeconomic questions equally effectively with respect to both microeconomic and macroeconomic elements. 60 per cent of questions were answered correctly by 60 per cent or more of the candidates. Questions 7, 16, and 18, were answered most successfully (81 per cent or above).

Comments on specific questions

Only 29 per cent of candidates were able to answer **Question 5** correctly. This question required candidates to understand the key functions of price and how price 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 the 'incentivising' function of price and alternative functions. Option **B** was correct because it was the only option which related to 'incentivising'. In this case, the price fall was the 'incentive' for producers to reduce output and leave the market. 30 per cent of candidates incorrectly chose option **A**. This option simply provided information based on the effect on decision making of a price change.

Question 11 was answered correctly by 33 per cent of candidates who chose option **D**. This question required candidates to explain how and why the price of elasticity of supply will change as a movement up and along a curve, when the intercept point = 0 and therefore the starting price is equal to zero. When the starting price is zero and the quantity supplied is positive, then at the initial point the price elasticity of supply must be perfectly inelastic. As a movement along the curve takes place, price will become positive and therefore the price elasticity of supply will become more elastic. 30 per cent of candidates incorrectly chose option **C** which suggests the opposite i.e. price elasticity of supply will become more inelastic when price rises.

25 per cent of candidates were able to correctly answer **Question 25**. This question was dealt with least effectively on this paper. The question required candidates to clearly establish what would **definitely** change the terms of trade. The word definitely has been highlighted in bold because this is the key to understanding why 51 per cent incorrectly chose option A while only 25 per cent correctly chose option C. Those who chose option A, did so on the assumption that inflation would **definitely** change the terms of trade. While it is possible that inflation in an economy might change the terms of trade, it is not certain. Prices of domestic goods might rise while the price of exports might remain unchanged, inflation could still take place but the terms of trade would be unaffected.

Candidates also found **Question 26** difficult. 36 per cent chose the correct option C. The question focused upon comparative advantage and trade. Option C was correct because country N would specialise in rice and country M would specialise in wheat. Before specialisation, total combined rice production = 70, after specialisation, country N would produce a total of 75. Therefore, there would be a net gain of 5 units of rice. The relationship between opportunity cost, specialisation and the impact on world output was essential to answer this question.

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Paper 9708/13
AS Level Multiple Choice

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

General comments

Overall performance across individual questions varied significantly. Candidates dealt with both macroeconomic and microeconomic questions equally well. **Questions 2, 3, 4 and 6**, were answered most successfully (70 per cent or above).

Comments on specific questions

Question 4 answered correctly by 91 per cent of candidates. This question required knowledge recall to determine the key conditions necessary to promote economic enterprise.

27 per cent of candidates were able to answer **Question 10** correctly. This question required candidates to understand the relationship between a price change, a subsequent change in total revenue and price elasticity of demand. Option **D**, which stated that the price elasticity of demand must be equal to zero was correct because if price is reduced by 5 per cent and this leads to the same per cent fall in total revenue of 5 per cent, then it follows automatically the total demand has not changed. When a price change has no effect on demand, we can therefore conclude that demand must be perfectly inelastic i.e. zero.

Question 15 was answered correctly by 24 per cent of candidates who chose option **A**. The question related to the impact of a specific sales tax on a firm. A diagram was provided and candidates were required to calculate the total after tax revenue received by the firm, after the tax had been levied. Candidates had to calculate the total revenue received after tax and then deduct the total tax paid at the new price equilibrium and deduct the tax paid from the total revenue of the firm. The final total revenue = £100 hence option **A** was the correct response. A surprisingly large number of candidates chose option **B** (61 per cent). This was

clearly incorrect because option **B** indicated the total revenue received before tax, whereas the question specifically stated that the 'after tax' total was required.

Only 6 per cent of candidates were able to correctly answer **Question 17**. This was the least effectively answered question on the paper. This was a straightforward, knowledge recall question where candidates needed to identify where remittances from abroad would be identified on the balance of payments account. Option **B** was correct because remittances were classified as Primary income. A significant proportion (39 per cent) assumed incorrectly that remittances were part of Secondary income and therefore chose the incorrect option **C**.

Candidates also found **Question 23** difficult. Only 20 per cent chose the correct option **C**. Candidates had to examine a table showing trade between two countries and decide which option could be directly concluded from the evidence provided in the table. To decide which option was correct candidates had to establish what product each country would specialise in producing and then indicate what the total world production would be after specialisation. Country X had the lowest opportunity cost in shoe production therefore country X would produce shoes and country Y would produce T shirts. 41 per cent of candidates concluded that it was the other way around, therefore chose the incorrect option **D**.

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Paper 9708/21
AS Level Data Response and
Essays 21

Key messages

- Candidates need to ensure they focus on the particular ‘command’ word that is being used in a question, such as ‘**calculate**’, ‘**consider**’, ‘**explain**’ or ‘**assess**’.
- 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 **Sections B and C**.
- It is 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 **Questions 2(a), 3(b), 4(a)** or **5(a)**.
- An appropriate formula should be included in answers when they are explicitly asked for in a question, such as the formula for cross elasticity of demand in **Question 3(a)**.
- 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 a number of questions, but there were other questions where diagrams could have been used to good effect to support an answer, such as **Question 4(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 month between July 2020 and May 2021 rather than calculating what happened over the period as a whole, while in **Question 2 (b)**, some candidates wrote exclusively about the provision of education in the public sector rather than about whether it should be classified as a public good or a merit good.

General comments

Diagrams were explicitly required in a number of the questions, but despite this instruction, some candidates did not include them.

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

It is also important that candidates focus on whether there is any additional guidance provided in a question, such as in **Question 3(b)**, where candidates were required to assess whether the benefits of a buffer stock scheme **always** outweighed its disadvantages.

Comments on specific questions

Section A

Question 1

- (a) Many candidates were able to correctly calculate the change in India's unemployment rate between July 2020 and May 2021, recognising that over this period the rate had increased from 7.4 per cent to 11.9 per cent. Either 4.5 per cent or 60.81 per cent were acceptable answers.
- (b) A number of candidates were able to explain how agriculture had caused seasonal unemployment in India in December 2020, making good use of the information provided.
- (c) Many candidates were able to consider the extent to which difficulties might arise in the measurement of unemployment in India, such as in relation to inactive workers, discouraged/disincentivised workers or the existence of unreported employment in the informal economy. 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 difficulties might arise in the measurement of unemployment in India. Some candidates did not focus on the question asked and wrote instead on the different methods that could be used to measure unemployment.
- (d) The majority of candidates were able to offer an explanation and analysis of both seasonal unemployment and frictional unemployment, but relatively few then went on to offer a meaningful evaluation of which was likely to be a more serious problem for India's economy. 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 possible measures that could have been taken to increase employment in a country such as India. They could have referred to fiscal policy measures, monetary policy measures, supply-side policy measures or a combination of these different approaches. Many candidates did not attempt to offer any evaluation of the different measures 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, with the help of a diagram, the difference between the causes of a movement along, and a shift of, a production possibility curve (PPC) and to consider which is likely to have the most immediate impact on an economy. Most candidates were able to draw an appropriate diagram to show a movement along, and a shift of, a PPC, although some of them did not ensure that the curves touched the axes. Many candidates brought in the concept of opportunity cost in relation to a movement along a PPC. Some candidates drew a demand and supply diagram rather than one showing a PPC. Most candidates were able to offer an appropriate analysis, but relatively few attempted to offer any evaluation. Some of those that did offer an evaluation focused on which was likely to have the most significant impact on an economy rather than the most immediate impact.
- (b) In the second part of the question, candidates were required to assess whether education should be classified as a public good rather than as a merit good. Some candidates made a good attempt to distinguish between the two, pointing out that whereas a public good was non-rival and non-excludable, a merit good was an example of a private good with the characteristics of being both rival and excludable. A number of candidates did not focus on the distinction between a public good and a merit good and wrote instead about how education could be provided in the public sector. Some candidates assumed that education must be a public good because it was provided by governments. Most candidates provided little, if any, evaluation and 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 formula, the meaning of cross elasticity of demand and to consider which determinants were most important in

establishing the size and sign of its coefficient. Many candidates were able to provide an accurate XED formula, although some did not include the percentage changes while others put the percentage change in the price of one good on the top and the percentage change in the percentage change in quantity demanded of another good on the bottom. The analysis was generally quite good in terms of the distinction between substitutes and complements, but relatively few candidates made any attempt to offer an evaluation on the relative importance of the determinants that influenced the size and sign of the coefficient. This shows the importance of candidates reading the question as carefully as possible.

- (b) In the second part of the question, candidates were required to assess, with the help of a diagram, whether the benefits of a buffer stock scheme for an agricultural product always outweighed its disadvantages. Most, but not all, candidates included an appropriate diagram and included it to good effect to explain the various advantages and disadvantages of such a scheme. As in **Question 2 (b)**, little evaluation was provided by the majority of candidates in terms of exercising judgement on whether the benefits of such a scheme would always outweigh its disadvantages, 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 cost-push inflation and demand-pull inflation in an economy, with the help of an AD/AS diagram, and to consider in what circumstances one might be more damaging than the other. Most candidates included a diagram, although some incorrectly labelled the axes as 'price' rather than 'price level' and as 'quantity' rather than 'output' or 'real GDP', while others labelled the curves as 'D' and 'S' rather than as 'AD' and 'AS'. Many of the answers were rather descriptive in relation to cost-push and demand-pull inflation, with relatively few candidates offering any evaluation in relation to the circumstances in which one might be more damaging than the other.
- (b) In the second part of the question, candidates were required to assess whether monetary policy or supply-side policy was likely to be more successful in reducing the rate of inflation in an economy. Many candidates demonstrated quite a sound knowledge and understanding of monetary policy, but candidates were generally less successful in their treatment of supply-side policy measures. Unfortunately, relatively few candidates made any attempt to offer any evaluation of which policy approach was likely to be more successful in reducing the rate of inflation in an economy, 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 likely causes of a depreciation of a floating exchange rate, with the help of a diagram, and to consider whether such a depreciation would always be beneficial to an economy. Most candidates included an appropriate diagram, showing either a shift of the demand curve to the left or a shift of the supply curve to the right, but many labelled the vertical axis incorrectly as 'price' rather than as 'price of a currency' or 'exchange rate'. Most candidates were able to analyse the likely causes of a depreciation, but relatively few went on to evaluate whether such a depreciation would always be beneficial to an economy.
- (b) In the second part of the question, candidates were required to assess whether the arguments for protectionism in the context of international trade were always stronger than the arguments against. Many candidates demonstrated good AO1 and AO2 skills in relation to the various arguments for and against protectionism, although some focused more on the methods of protectionism than the arguments for and against it, showing the importance of candidates carefully reading the question. Relatively few candidates made an attempt to offer an evaluation in terms of whether the arguments for protectionism were always stronger than those against.

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Paper 9708/22
AS Level Data Response and Essays
22

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.
- 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 of the syllabus is essential.

General comments

- Overall, a full range of marks was in evidence and there was a pleasing 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 pleasingly 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) The command word was 'compare' and the context referred to the government budget balances in Nigeria for 2016 and 2020. Candidates were expected to first identify that in both years the balance was in deficit. Simply stating that the figures were negative was insufficient as this merely copied out the data. The second mark was awarded for identifying that the deficit had increased. 'Worsened' was not rewarded as this is subjective, e.g., the deficit may be due to infrastructure spending which may be beneficial. Common errors included not using correct terminology and attempting to explain the deficit which led to some unnecessary time spent on this question.

- (b) Approximately 50 per cent of all candidates gained full marks on this question. The most common error was to shift the PPC to the left rather than show a movement to the left within the curve due to unused resources i.e., labour leading to 1 mark only. A significant minority of candidates gained 0 marks because they were unable to draw an accurate PPC diagram due to e.g., incorrect labelling with P and Q being the most common example. This is a popular area for questions, and many candidates were unable to reproduce an accurate diagram.
- (c) This question was assessed in four distinct parts. Firstly, an assessment of how the removal of subsidies would lead to an increase in the price of fuel itself e.g., by increasing the cost of production/supply. Secondly an assessment of how this might lead to an increase in inflation due to the weighting of fuel in CPI or its impact on the general price level through its importance in the production of other products. Thirdly, why this might lead to sustained inflation e.g., due to a wage-price spiral. The final mark was given for a new requirement for 4-mark questions on this new syllabus, i.e., evaluation/assessment of the extent to which inflation would be the outcome. Most candidates achieved the first mark, and a significant number achieved the second mark. The third mark was rarely awarded. Valid evaluation was also quite rare, and this is clearly a skill which needs to be developed by candidates.
- (d) For 6-mark **part d** questions, it is important to note there is no requirement to compare a policy with an alternative policy unless the question specifically requests this. This question asked candidates to assess whether supply side policy would be the best way to diversify the Nigerian economy away from its dependence on oil and natural gas exports. It was essential to both identify valid supply side policies and explain how they might assist such a diversification with analysis of both the strengths and weaknesses of using the stated policies. This was marked out of 4 with 2 marks for analysis of the strengths and 2 marks for an analysis of the weaknesses. The final 2 marks was allocated for an evaluation of the strengths and weaknesses leading to a balanced judgement which clearly answered the question– not merely a summary of the strengths and weaknesses. This judgement could also include an assessment of an alternative policy although this was not essential. Valid evaluation was rare. Other weaknesses included a lack of focus on specific and accurate policies and insufficient attention to the question of how they would assist diversification. As a result, many answers gained a maximum of 1 mark reserved for generalised responses.
- (e) The question required candidates to assess whether changing/adjusting methods of collecting direct tax or indirect tax would be most effective in raising tax revenue in Nigeria. Common errors included answers which were general summaries of the two methods without any direct reference to their comparative effectiveness in raising tax revenue, ignoring the reference to adjusting the methods of collection and simply merging the two methods without distinguishing between them. Such generalised answers gained a maximum of one mark. Even when analysis was sound, effective evaluation which weighed up the likely effectiveness of both methods and came to a sound conclusion as to which may be best in the context of the problems faced by the Nigerian government, were rare. Candidates must be reminded that evaluation does not consist of simple summaries and that pertinent points must be compared and contrasted. Also, that data response answers should contain valid context where possible.

Section B

Question 2

- (a) This was the second most popular question attempted by candidates. Whilst a good percentage of those gained between 3 and 4 marks, most did not go beyond that. The question required candidates to make use of diagrams to both explain what was meant by the terms consumer surplus and producer surplus and then analyse the extent to which consumer surplus would always reduce given a rise in the price of a product. The main problem with AO1 was incomplete or vague knowledge of the terms and/or incorrectly labelled diagrams. With regards to AO2, candidates need to be reminded of the requirement for analysis to be explained. For example, this answer required an analysis of the impact of price elasticity of demand, and it is not enough to simply state the effect of e.g., an inelastic PED on consumer surplus, rather this must be **explained** in terms of the percentage change in demand as a result of a percentage change in price. Furthermore, this had to be demonstrated via an accurate diagram. Due to weaknesses in valid analysis, valid evaluation was very rare and hence for most candidates, the maximum mark gained was 4.

- (b) Most candidates had a simple knowledge and understanding of how a maximum price works but often this was demonstrated solely through a diagram without any underpinning explanation. For example, a shortage would be shown on the diagram without any explanation as to why it would occur apart from QD will exceed QS. Better answers explained that the shortage occurs due to lower incentive for producers due to lower prices/profit margins. Similarly, illegal markets, queuing etc., were often asserted rather than explained. This meant many answers were placed in Level 2 maximum whereas with additional explanation, they would have been in Level 3. Candidates must remember, diagrams are an aid to explanation rather than explanations in themselves. The advantages and disadvantages of transfer payments were often better explained but again often lacked full explanation. Good evaluation was rare as there is a tendency to summarise main points rather than compare the strengths of the various arguments to answer the question.

Question 3

- (a) There were two distinct ways to approach AO2 analysis for this question. One method was to assess the impact of the increase in income from the demand side and focus on the influence of income elasticity of demand. The second was to focus on the influence of the increase in costs of production and the possible changes in QD and QS. Where both were discussed, the quality of explanation was used to determine the final mark. AO1 was generally covered well although most candidates did not refer to the fact that there was no tendency to change. However, marks were often lost in analysis and evaluation due to a tendency, as in **Question 2(a)** to assert points made rather than explain them. This is a fundamental requirement under the new format and should be stressed to candidates.
- (b) Most responses tended to describe the four factors of production or how they could be increased or encouraged. However, the question was focused on whether encouraging entrepreneurs was the best way of increasing long run economic growth and not simply the methods of encouraging that growth. The other main weakness was an emphasis on actual, often short run economic growth because of increases in AD rather than potential, long run economic growth due to increases in LRAS. Answers needed to be far more analytical in terms of how the four factors could achieve such growth and therefore rarely gained more than mid-Level 2 marks. Genuine evaluation rather than summative statements was rare as once again, due to insufficient depth of analysis, it was not possible to clearly answer the question. Candidates need to be encouraged to focus on the question that is set and avoid answers that often contain irrelevancy.

Section C

Question 4

- (a) This was by far the least popular question on the exam paper and generally the one that gained the lowest marks for both **parts (a)** and **(b)**. Although the definition of comparative advantage was generally accurate, the definition of absolute advantage was often vague and incomplete. The most common omission was to ignore the fact that in this case, it was producing more with the same set of resources. Most candidates also ignored the fact that one country could have a comparative advantage in one product even though another country had an absolute advantage in both. Better answers were able to focus on the advantages of comparative advantage in terms of specialisation and efficiency etc., and the disadvantages, principally the strategic industry argument but these were rare. Mostly, answers became embroiled in unnecessary tables and diagrams which were not explained. Evaluation was rarely present and consisted of summaries and assertions. N.B. for such questions i.e., **part a** of essays, an assessment of an alternative view e.g., that absolute advantage would be the most important influence may be part of evaluation but not as part of analysis unless specifically part of the question.
- (b) The focus of this question should have been the extent to which protectionism could correct a current account deficit as opposed to alternative policies. Often, answers became a summary of types of protectionism without any strong links to reducing a deficit and either failed to gain any marks or were placed in Level 1. Diagrams and tables are only useful as part of analysis if they are explained in the context of the question and therefore need to be developed for any credit. Although there were some good answers, they tended to be quite narrow in focus and rarely discussed the advantages and disadvantages of using protectionism compared to the advantages of an alternative policy in specifically correcting a current account deficit.

Question 5

- (a) **Question 5** was by far the most popular question on the paper and tended to gain the most marks overall. Specifically, 5a was generally answered quite well by many candidates. However, it was surprising how many candidates failed to refer to AD when discussing demand pull inflation and also did not clarify that such inflation was the result of an increase in AD not matched by spare AS capacity. Also, although the question specifically asked candidates to explain the difference between the two types, relatively few did so. Simply drawing AS/AD diagrams with no comment cannot offer explanation. The analysis of how a depreciation would lead to the two types of inflation was generally answered well and it was pleasing to see how many candidates recognised the importance of the reference to ‘few natural resources’ in both analysis and evaluation. However, the main weaknesses in analysis were a tendency to assert rather than explain the effects of the depreciation on AD and AS. It must be stressed that only explained points will gain credit for analysis. Once again, evaluation marks were reserved for those who clearly considered the impact of having few natural resources in the discussion as to which type of inflation was most likely.
- (b) Most candidates managed to gain Level 2 marks. However, the reason why many responses did not get into Level 2 was a lack of clear explanation of the links between the policies discussed and the control of inflation. Once again, candidates must explain rather than assert analysis e.g., why does monetary policy reduce AD and why does this reduce inflation? Similarly, with supply side policy, why can it reduce long run aggregate supply costs and hence reduce inflationary pressure? Such analysis will convert Level 2 marks into Level 3. Once again, evaluation tended to consist of general summative statements rather than a genuine attempt to offer an assessment of the relative effectiveness of at least two policies used to control inflation and form a judgement as to which might be the best one. This meant evaluation marks were quite low even when analysis was good.

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<p>Paper 9708/23 AS Level Data Response and Essays 23</p>

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.
- 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 of the syllabus is essential.

General comments

- These comments are drawn from a relatively small cohort.
- There was a large cluster of low scoring answers but there were a group of high scoring responses leading to two quite separate modal scores (high and low) depending on which centres had entered candidates.
- This suggests that the examination paper was accessible to all candidates who were well prepared.
- Candidates all appeared to have sufficient time to complete the examination and there were very few rubric errors.

Comments on specific questions

Section A

Question 1

- (a) The question required a simple manipulation of data provided by the bar chart in the extract. For the first mark a correct use of the data was needed i.e., the correct figures in the correct currency. The second mark was given for the correct calculation, i.e., 36 per cent. Whilst many candidates obtained the second mark, most did not gain the first. Some candidates were unable to make this calculation.
- (b) The extract was very specific on the reasons and candidates were expected to use this information. Better responses explained one reason and clearly linked this to the fall in overall sales of doughnuts in 2020 and therefore gained 2 marks. Weaker responses referred to a valid reason but did not make the link to falling sales and gained 1 mark only or did not explain a valid reason and gained 0 marks.

- (c) Once again there was a mixed response. Some candidates simply did not use the data and suggested that demand for doughnuts was income elastic and gained 0 marks. Others suggested that it was income inelastic which was correct but were unable to say why despite the extract making it clear that purchases of doughnuts continued despite a fall in income. These answers gained 1 mark. Only a minority had clearly read the extract, understood it, and correctly applied it to answer the question fully and therefore gain 2 marks.
- (d) Application of economic theory and concepts was relatively rare. Most answers were vague and focused on health issues and the fact that doughnuts were bad for consumers. The fact that doughnuts are considered to be undesirable and overconsumed due to information failure was commented on by very few candidates. Most candidates who gained a mark did so by alluding to the fact that consumers are unaware of such health risks. Very few gained both marks on offer and many gained 0 marks due to no actual economic assessment.
- (e) This question related to the market for sugary foods in the UK. Most candidates recognised that demand would fall if online advertisements were banned and some made an attempt at suggesting PED might be inelastic, there was little attempt to use a diagram to explain how this might affect price and quantity demanded. Consequently, most candidates gained only 1 or 2 marks. Once again, most answers were too generalised, lacking in economic detail and not focused enough on the market but rather the reaction of consumers only.
- (f) Most candidates recognised that the question related to the impact on consumers and the UK government and better answers explained one benefit of the ban on online advertisements for the UK government and for UK consumers together with a drawback for each. However, many answers were too generalised, and some repeated the answer to **1(e)** i.e., the impact on the market. There was often little attempt at meaningful evaluation and where attempted, it was often merely a summary rather than an answer to the question.

Section B

Question 2

- (a) This question was generally answered quite well. Most candidates were able to explain YED through a formula and the relationship between changes in income and demand for a product. Better answers gained a third knowledge and understanding mark through the meaning of elasticity. Analysis of the significance of the size and sign of the coefficient was also often done well with appropriate examples. However, most candidates were unable to offer meaningful evaluation as to the accuracy of such measures and either offered simplistic assertions or nothing at all. Candidates must remember that evaluation forms a significant proportion of **part (a)** questions and must be explained. Other weaknesses resulted simply from a lack of understanding of the concept of YED.
- (b) Answers to this question tended to be superficial and lacking in suitable explanations. They often included some basic knowledge and understanding but did not explain the impact of price elasticity of demand in terms of the relative percentages of change in demand to a change in price. Consequently, answers were often assertive and did not achieve more than Level 2 with Level 1 being a common mark. Better answers did offer explanations rather than simply drawing diagrams and candidates must do this to gain higher marks. As a result, meaningful evaluation which explained and considered different scenarios was extremely rare.

Question 3

- (a) Few candidates were able to offer a clear knowledge and understanding of merit goods with clear examples. Explanations were often superficial and simply based on products that 'are good for you' with little clear reference to underconsumption and the effect of information failure i.e., economic analysis. Furthermore, the reasons for government information were often unclear and undeveloped in terms of a lack of provision by the private sector and the benefits to wider society and the economy. As a result of such a lack of analysis, meaningful evaluation was rare in terms of why government intervention may not be successful. Candidates need to break down **part (a)** questions into knowledge and understanding of terms used within the question, analysis (in this question) of the reasons for government intervention followed by evaluation – again for this question – of the likely success of this intervention.

- (b) In order to answer this question, clear knowledge and understanding of the meaning of buffer stocks was essential. Most did have some understanding although this was not always clear. A significant minority, however, did not appear to have any understanding and were clearly unprepared for this question. Consequently, clear analysis of the advantages and disadvantages of buffer stock schemes together with alternative policies was rare and most answers were unable to get beyond Level 2. Because of this, effective evaluation was also extremely rare. Candidates need to be aware that analysis must be accurate, relevant, explained and cover at least 2 sides of an argument to get beyond Level 2 and also gain marks for evaluation.

Section C

Question 4

- (a) Very few candidates attempted this question and those who did gained very low marks with few exceptions. Most candidates did not appear to understand money flows and although some had knowledge of injections and withdrawals, most were unaware of the significance of an open economy. With such a small number of candidates, it is very difficult to draw accurate conclusions about performance, but this is a new addition to the syllabus, and it is likely that future questions will be drawn from this area. Breadth of coverage as part of preparation is essential.
- (b) The same problems obviously were apparent in **part (b)**. Although better responses recognised that investment was an injection, this was rarely explained or developed. Effective assessment was not seen in terms of the balance of injections to leakages and consequently, evaluation was not seen. Clearly, this is part of the syllabus which needs candidates to be better prepared for.

Question 5

- (a) There were some reasonable answers to the knowledge and understanding (AO1) and analysis (AO2). However, evaluation was not much in evidence as candidates were generally unable to explain why monetary policy may not work in reducing inflation. Most candidates had an understanding of the tools of monetary policy and that a contractionary policy would be required to reduce inflation. The main weaknesses lay in analysis and only the better responses explained how the policy could reduce AD and therefore the price level and this also extended to the impact on output and unemployment. Weaker answers tended to assert outcomes which reduced the marks awarded. Consequently, marks ranged from 0 – 2 to 4 – 6 out of the available 8.
- (b) Answers tended to be descriptive and not analytical. Some better responses demonstrated knowledge and understanding of the main government macroeconomic objectives and could apply this knowledge to intervention used in meeting these objectives. However, a detailed assessment and explanation of the advantages and disadvantages of these policies and the objectives themselves was rare and often consisted of superficial assertions. Once again, candidates need to explain points made to achieve more than Level 1 answers. Evaluation as a result was rare.

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Paper 9708/31
A Level Multiple Choice 31

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

General comments

The questions for which most candidates selected the correct answer were **9, 11, 13, 17, 19, 21, 24, 27** and **28**. These questions were answered correctly by 75 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 **2, 6, 7** and **10**. These questions were answered correctly by fewer than 40 per cent of the candidates.

Comments on specific questions

Question 2 was answered correctly by 38 per cent of the candidates who chose option **A**. 15 per cent chose option **B**, 5 per cent chose option **C** and 42 per cent chose option **D**. The table showed the allocation of goods between three consumers. A Pareto improvement in allocation would occur if at least one person was made better off and no one was made worse off. The assumption is that more goods would make the person better off. Option **A** shows a change in consumption that makes consumer 3 better off while consumers 1 and 2 are no worse off. Those candidates who chose option **D** recognised that the change in consumption made consumers 1 and 2 better off but failed to notice that consumer 3 was made worse off as that consumer had fewer goods.

Question 6 was answered correctly by 30 per cent of the candidates who chose option **B**. 13 per cent chose option **A**, 40 per cent chose option **C** and 17 per cent chose option **D**. **Question 6** showed a table of costs and revenue for four firms and asked which firms would continue to operate in the short run but not the long run. In a monopolistic competitive market in the short run the firms must cover their variable costs, in the long run the firms must cover all their costs. Firms W and Z have a total revenue that does not cover total variable

cost so they would not operate in the short run. Firms X and Y have total revenues that cover total variable cost so they would operate in the short run but the revenue does not cover total variable cost plus total fixed cost so they would shut down in the long run. Those who chose option **C** may have not noticed that the revenues of firms W and Z would not cover the total costs in the long run.

Question 7 was answered correctly by 38 per cent of the candidates who chose option **B**. 10 per cent chose option **A**, 15 per cent chose option **C** and 37 per cent chose option **D**. Whenever a firm's marginal cost is below its average variable cost the average variable cost will be falling. This occurs irrespective of whether the marginal cost is falling or rising. If the marginal cost is rising the average variable cost will still be falling but at a slower rate than if the marginal cost were also falling. The average variable cost ceases to fall at the point where the marginal cost is equal to the average variable cost. Beyond that point marginal cost will be greater than the average variable cost and cause it to rise.

Question 10 was answered correctly by 32 per cent of the candidates who chose option **B**. 21 per cent chose option **A**, 19 per cent chose option **C** and 28 per cent chose option **D**. The question asked candidates to recognise the area of net social benefit at output OQ. Benefits are assumed to be shown by the area under the demand curve. The net social benefit is the area of the benefit minus the area of the social costs. At output Q the total benefit would be $x + z + w$. The total social cost would be $y + z + w$. The net result of subtracting the social costs from the benefit is $x - y$ (option **B**).

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Paper 9708/32
A Level Multiple Choice 32

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

General comments

The questions for which most candidates selected the correct answer were **6, 12, 15, 18, 22, 27, and 29**. 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 **4 and 9**. These questions were answered correctly by fewer than 45 per cent of the candidates.

Comments on specific questions

Question 4 was answered correctly by 31 per cent of the candidates who chose option **C**. 16 per cent chose option **A**, 41 per cent chose option **B** and 12 per cent chose option **D**. In the long run the firm must cover all of its costs. The average revenue must not be below the average total cost. Those candidates who chose option **B** may well have thought the question asked about the short run where the firm must cover its average variable costs.

Question 9 was answered correctly by 43 per cent of the candidates who chose option **B**. 28 per cent chose option **A**, 9 per cent chose option **C** and 20 per cent chose option **D**. A large sole supplier is likely to wish to maximise profits. This would enable it to afford to introduce new production processes in order to reduce its costs in the long run and achieve dynamic efficiency. It is unlikely to produce at the output where there is either productive efficiency or allocative efficiency.

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Paper 9708/33
A level Multiple Choice 33

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

General comments

The questions for which most candidates selected the correct answer were **9, 11, 13, 17, 19, 21, 24, 26, 27** and **29**. These questions were answered correctly by 60 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 **6** and **15**. These questions were answered correctly by fewer than 25 per cent of the candidates.

Comments on specific questions

Question 6 was answered correctly by 23 per cent of the candidates who chose option **B**. 12 per cent chose option **A**, 51 per cent chose option **C** and 14 per cent chose option **D**. **Question 6** showed a table of costs and revenue for four firms and asked which firms would continue to operate in the short run but not the long run. In a monopolistic competitive market in the short run the firms must cover their variable costs, in the long run the firms must cover all their costs. Firms W and Z have a total revenue that does not cover total variable cost so they would not operate in the short run. Firms X and Y have total revenues that cover total variable cost so they would operate in the short run but the revenue does not cover total variable cost plus total fixed cost so they would shut down in the long run. Those who chose option **C** may have not noticed that the revenues of firms W and Z would not cover the total costs in the long run.

Question 15 was answered correctly by 20 per cent of the candidates who chose option **D**. 23 per cent chose option **A**, 26 per cent chose option **B** and 31 per cent chose option **C**. The demand for labour is represented by the marginal physical product curve (MRP). The MRP is obtained by multiplying the marginal

physical product by the marginal revenue (option **D**). The distribution of responses from the candidates might indicate that candidates were guessing the answer to this question.

ECONOMICS

<p>Paper 9708/41 A Level Data Response and Essays</p>

General comments

Candidates who provided developed, reasoned and well supported evaluative essay comments tended to do well in Sections B and C of the new style exam. It is important to bear in mind that up to 6 evaluation marks are available for responses that demonstrate this high-level skill. There were some good answers to this paper. These candidates presented well-balanced and clearly structured answers, accurately related to the question and enhanced by relevant examples and applications where appropriate. The key weakness in some of the answers was that some candidates did not direct their response precisely to the question asked. This was particularly evident in **Question 5** where candidates discussed GDP broadly without clear reference to increases in 'productivity' and also in **Question 2** where weaker responses failed to identify 'education' as a merit good. **Questions 1(d)** and **2** explicitly requested the use of diagrams. Candidates failing to produce a correctly labelled and relevant diagram would not gain marks beyond L2 in the essay section of the paper. Where the use of supporting diagrams is not stated in the question candidates should be prepared to develop a diagram if it is relevant to a question. Diagrams can help achieve strong analysis marks and support evaluative comment. There were opportunities to use price discrimination diagrams in **Question 3** and AD/AS diagrams for **Question 4**.

Comments on specific questions

Section A

Question 1

- (a) There were some vague answers to this question. Little explanation of what is meant by a concentration ratio in terms of the degree of competition in an industry was evident. Two marks were available for this and a further two for an explanation of how it is calculated. The sum of the market share percentage held by the largest specified number of firms in an industry would be a correct response but too many candidates failed to explain beyond adding together total sales of the largest firms in the industry.
- (b) A number of responses argued that tax would be imposed so negative externalities were paid for and also focussed upon consumption, rather than the effect of production on a third party. Surprisingly few candidates provided a relevant example or even explained that a negative externality is a cost that is incurred by a third party.
- (c) A number of candidates failed to describe two reasons linked to the text and generally commented on the lack of competition. Candidates who did not follow the wording of the question failed to score any marks.
- (d) Candidates often cited dynamic efficiency and economies of scale as reasons for efficiency. Allocative efficiency was less well known than productive efficiency. A labelled monopoly diagram was expected and accuracy of construction was important e.g. MC curve always intersects AC curve at its minimum point. This was missed by many candidates. One mark was available for a concluding remark: the theory does not support the opinion in the article. A number of responses failed to provide a concluding remark.

Section B

Question 2

This was the least popular of the two microeconomic essay questions and not well answered. Usually it was argued that the removal of a subsidy would reduce efficiency as prices would rise and lesser quantity provided. Merit goods and social benefits were not widely considered, nor was a public sector. It was surprising how many candidates did not analyse the links between education as a merit good, positive externalities and allocative efficiency. A diagram should have been provided to illustrate the impact of a subsidy on the provision of education by the private sector. Failure to provide a relevant diagram disqualified candidates from attaining available Level 3 knowledge, understanding and analysis marks.

Question 3

This was a popular question and there were some good, balanced responses which addressed both the producer, consumer and society, thereby accessing evaluation marks. Weaker responses tended to focus upon the belief that price discrimination meant charging higher prices and conditions for applying discrimination were usually ignored. Better responses used practical examples to illustrate the meaning of price discrimination and were able to apply at least one relevant model, usually third degree Price Discrimination.

Question 4

This was the least popular of the two macroeconomic essay questions. Most candidates were able to explain the meaning of a budget surplus and there were some correct attempts connecting falling AD leading to unemployment. However BoP effects were less well applied and the belief that government received revenue from exports was common. Few candidates were able to analyse the links between a budget surplus and the control of the balance of payments in the long run.

Question 5

This was a popular choice although production and productivity were frequently confused. Also comments on low-income countries were often little more than descriptions of low GDP. There were some good responses which recognised the impact of FDI exploitation, uneven distribution of income and the influence of health and education provision in low-income countries as well as the difficulty of measuring the resulting changes in productivity.

ECONOMICS

<p>Paper 9708/42 A Level Data Response and Essays 42</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 command word 'Evaluate'. This term required judge or calculate the quality, importance, amount, or value of the information or theory that was used in the answer. Whilst many produced a limited evaluation few developed the evaluative point sufficiently to gain a level 2 evaluation.
- 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 diagrams, or 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.
- 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

Part A

Question 1

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.

- (a) Few candidates produced a response that showed an understanding of the term 'purchasing power parity (PPP)'. A relatively small number knew that a bundle of goods and services was involved but not how this translated to an exchange rate.
- (b) This question was relatively well answered with candidates able to draw a correct diagram or diagrams. Those which used production possibility curves or an AS/AD approach were rewarded. Some were able to draw the diagrams correctly but were not able to explain the difference between actual and potential growth.
- (c) Most candidates were able to gain marks by using the data to show the changes which had taken place. However, fewer candidates were able to explain how these changes affected the standard of living or to explain what was meant by the standard of living. The changes in the value of the Gini coefficient were the most troublesome with whether and increase meant a rise or fall in equality.

- (d) Most candidates gained a mark of four or more on this question as they were able to use the text to extract and explain how Pakistan and/or China benefitted from the Belt and Roads Initiative. The best candidates then recognized that there were not only benefits but also limitations to the process.

Part B

Question 2

This question was attempted by a large majority of the candidates. It produced some strong answers that showed good knowledge, understanding and analysis. The best candidates showed a strong ability to evaluate their response.

Those candidates who explained how the use of EVs would reduce the level of negative externality in consumption when they replaced diesel or gas vehicles made a strong beginning to their response. This was enhanced when a diagram was correctly drawn and labelled and reference to it was made in their answer.

When a similar approach was taken in analysing the two policies that a government could employ to encourage the use of EVs or decrease the use of alternatives the candidates scored good marks for AO1 and AO2. Those candidates that showed an ability to evaluate the policies which had been suggested in their answer were further rewarded. Many candidates showed some evaluative skills and made level 1 evaluative comments. Better candidates were able to develop the level of evaluation and gained level 2 evaluative marks.

Question 3

Very few candidates attempted this question.

The answers that were seen suggested that the candidates had only partially read the question. The question required the candidates to explain and analyse the implications of the size of a market and the ability of firms in that market to achieve the minimum efficient scale (MES) of operation and how that might affect the market structure. At best the candidates considered the first two elements of how economies of scale determined the MES and the relationship between that scale and the market demand. Few went on to evaluate this in the context of market structures. Alternatively, candidates wrote all they knew about market structures without any reference to market demand or MES.

Part C

Question 4

There were some good responses to this question. Candidates demonstrate the ability to analyse the effect on a country's exports and imports of a depreciation its currency. The wider macroeconomic effects of this upon gross domestic product (GDP) were used AS/AD analysis to develop the response. The better responses were able to explain and evaluate the outcomes of such a depreciation on a low-income country. The weaker responses dealt with only part of the question for example, the depreciation and ignored the low-income country element and evaluation. Many candidates showed some evaluative skills and made level 1 evaluative comments. Better responses developed the level of evaluation and gained level 2 evaluative marks.

Question 5

Better responses analysed how contractionary monetary policy (MP) might be used to reduce the level of inflation. This was usually demonstrated through AS/AD analysis or the Keynesian 45° diagram. The better responses also discussed the effects of MP in terms of both consumer demand and the impact on investment and the different ways in which such a policy could be implemented, interest rates, reserve asset ratio and quantitative tightening. Those candidates whose answers developed an analysis which showed the effects of MP on a government's other macroeconomic aims were rewarded. Many candidates showed some elements of evaluation of either the extent to which the MP might work or the extent to which the alternative government aims were affected.

Weaker responses referred to expansionary MP and rising inflation. Answers were descriptive. Some responses made passing reference or no reference to alternative macroeconomic aims.

ECONOMICS

<p>Paper 9708/43 A Level Data Response and Essays</p>

General comments

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Comments on specific questions

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- (c) A number of candidates failed to describe two reasons linked to the text and generally commented on the lack of competition. Candidates who did not follow the wording of the question failed to score any marks.
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