Examiners' Report
Principal Examiner Feedback

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Pearson Edexcel IAL
In Economics (WEC01)
Paper 01 Markets in Action

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General comments

This was the second October series for WEC01. It was also the first time all four IAL units were sat in the same series. The entry for this series demonstrated significant growth with the entry on WEC01 more than doubling from the October 2016 series.

The performance on the multiple choice section was in line with previous January series and June series. Question 9 also performed well although Students did less well on question 10.

Overall, students were typically able to achieve marks on each question. In the supported multiple choice section students were usually able to pick up at least a couple of marks for either definitions/ explanations or identifying the correct key with some explanation.

On the data response section question 9 was more popular than question 10. Students attempting question 9 outperformed those attempting question 10.

Diagrammatic analysis on the work from the better students achieving the higher grades was accurate and was integrated with their written analysis. They would not only draw the diagram accurately but write about what they learn from it in their written explanation. This enabled them to consistently achieve within the top level.

There were a significant number of superior responses which scored very high marks, particularly in the supported choice section of the paper and the 6 and 4 mark questions on the data response. A greater number of students also performed well on the 10 mark questions as more attempted evaluation. The 14 mark parts on question 9 seemed better formed with more attempting evaluation points and developing analysis.

Most students were able to complete the paper in the time available though some struggled to develop their answers for questions requiring evaluation.

However it was unusual for me to see unfinished or brief responses as time management clearly seems to be improving. It is important that students practise the unit 1 papers under timed conditions to strengthen exam skills. The performance on individual questions is considered in the next section of the report. The feedback on questions shows how questions were well answered and how to improve further.

Supported Multiple Choice

Most students attempted all questions and typically achieved some marks on each. Performance on the supported multiple choice questions was broadly in line with previous series. Those students achieving the top grade were able to use relevant diagrams to support their answers and the written responses were able to define effectively and explain the correct key.

The key way all learners at every grade were able to access marks was being able to define the main concept(s) in the question (awarded 1 or 2 marks). Those that went on to apply appropriate economic theory and analysis (usually awarded up to 2 marks) were those able to achieve the higher grades.

It is possible to achieve the full 3 explanation marks even when an incorrect option is selected. It was very rare this series to find a box not complete and very rare was the letter in the box different to the answer being justified.

Some students gained marks by using the rejection technique. Up to 3 marks are available for successfully eliminating 3 incorrect options (provided that three separate reasons are offered). To achieve rejection marks it requires students to explicitly state the option key being rejected and then to offer an appropriate explanation as to why it is wrong. It is rare for students to fail to identify the incorrect option key and so the examiner may not be aware that the rejection technique is being offered. A significant number were using the rejection mark to achieve their last mark on these questions. When rejecting it is important that students explain why it is not the correct answer.

The mark scheme offers guidance on how to reject incorrect options. Note it is perfectly acceptable to use a combination of techniques for securing the 3 explanation marks, for example, explaining the correct answer, diagrammatic analysis and eliminating one or more incorrect answers.

Section B: data response questions

The data response questions have a substantial weighting for evaluation marks (16 out of 48 marks). Consequently, it is vital that students make evaluative comments when required by the question. The 14 mark question comprises 6 evaluation marks and a 10 mark question comprises 4 evaluation marks. To achieve the higher levels they will need to not only identify evaluative points but develop them to explain their point. To reach level 3 these points must be less generic and more in the context of the question. There was a significant improvement in the numbers evaluating.

Approximately two thirds of students selected question 9. Students attempting this question tended to outperform those attempting question 10. This was due to better performance in question 9 on the longer 10 and 14 mark questions.

Question 9 related to cinemas and films. It focused on the New Zealand film industry and cinemas in India.

Question 10 related to food markets. It looked at the potato harvest, the movement towards junk food and the agricultural labour market. Students performed well on the smaller 6 and 4 mark questions but found the larger 14 mark questions more challenging.

Specific comments

Question 1

The question looked at the production possibility frontier and factors that would shift it inwards. It was common for students to be able to achieve 3 or 4 marks on this question. Most students defined production possibility frontiers accurately with nearly all making reference to both the notion of the maximum possible output and using all available resources. The majority identified the correct key. Many students outlined that the earthquake would destroy factories and machines so would shift the PPF inwards but did not explain why. Those that were able to explain that the earthquake reduced productive potential by destroying the capital used to produce goods and services. It was common for students to reject why each of the other keys would lead to either the PPF shifting outwards or movements along the curve.

Question 2

The question looked at one of the disadvantages of the free market economy in terms of market failure. Nearly all defined the free market economy as one where decisions are made by the price mechanism. The key was that they needed to look at the over provision of goods for example due to the market not taking account of external costs. Many looked at goods being underprovided through ignoring external benefits or public goods being underprovided due to the free rider problem. The better responses included a relevant diagram. A number of students rejected alternative responses for example explaining that government intervention creates a net welfare loss which is government failure. Others rejected C and D and linking to how these are the rice mechanism functioning properly.

Question 3

Most were able to offer the formula or define income elasticity of demand. Most then showed that 10 x 0.9 = 9 to prove B correct. It was common for students to identify each of the goods as normal goods. Commonly students rejected an alternative response. For A most explained that it is a 16% increase not decrease. C was rejected by also saying that as a normal good the quantity demanded would increase not decrease. D was often rejected with reference to the fact it is a 2.3% increase not 23%.

Question 4

It is still surprising the number of students who redraw the diagram to show the effect of the indirect tax. Students only need to annotate the diagram that has been drawn on the exam paper. Most shifted the supply curve correctly to the left and the vast majority drew the parallel shift to represent the specific tax. Knowledge marks were often attempted in defining indirect tax as an expenditure tax, a specific tax which is a set amount and producer or consumer surplus. It is important to note that you will not be able to access the full range of marks for just defining terms. Key is that it is proven that consumer and producer surplus will fall. Showing the change in consumer surplus or producer surplus could be achieved by either showing the original and new surplus or the change in surplus.

Question 5

This was a question that was challenging for some but differentiated well. A grade students often achieved full marks but those working at the E grade struggled to pick up more than one mark. Most could identify D as the correct answer but many found it more challenging to explain why it was correct. Better responses were able to identify that the under-provision came from the fact lighthouses were a public good with the features of non-excludability and non-rivalry. A grade students were able to explain the free rider effect and how private sector firms cannot generate profit as consumers will be able to sue the good without paying. It would be useful for centres to give students advice to explain why a number of common examples are public goods. It seems many were not aware that lighthouses are an example of a public good.

Question 6

This question on cross elasticity of demand saw students typically perform well. Most could accurately state the formula or definition of cross elasticity of demand. Most could explain that a positive cross elasticity means it is a substitute. Most showed the fact that an increase in the price of a bus journey would see people increase their demand for taxi journeys. An alternative explanation was that both types of journeys met the same need for the customers. Many successfully rejected alternatives. A and D were often rejected explaining why they would be complements with a negative cross elasticity of demand. C was less commonly rejected but where it was it related to the goods being unrelated with an XED of zero.

Question 7

Again it was common for students to redraw the diagram rather than annotating to illustrate key points such as the change in unemployment. The reason this is such a problem is that it is not an efficient use of time and may see students struggle to complete the paper. This question on an increase in a minimum wage saw most perform well. Most students were able to define the minimum wage and identify the correct key in terms of the increase in unemployment. One of the most efficient ways to show that unemployment was higher was to annotate the original and new level of unemployment on the diagram or to show the change in unemployment in a similar way. It is worth students remembering that the movement along the labour demand curve is a contraction of demand and along the labour supply curve is an extension of supply.

Question 8

The specification clearly identifies excessive administration and storage costs as examples of government failure. Most could define government failure as where government intervention leads to a net welfare loss. Many others successfully explained how alternatives were signs of the success of the stabilisation policies. The better students were able to relate to the fact buffer stock often results in large quantities of a crop needing to be stored at great expense and how these costs may exceed any benefits of buffer stock.

Question 9(a)

A number of students looked at the impact of an increase in demand for films on the film industry rather than the labour market for actors. This meant they struggled to access many marks at all. It was important on the diagram that it referred to wages and not just prices.

The majority did relate the impact of the increase in demand for films on the labour market and accessed marks in the following ways. Most identified that the demand for labour was derived from the demand for films so as demand for films rises the demand for labour increases also. Many were able to use the data explicitly to say that revenue improves for the film industry by $3.2 billion.

Labour market diagrams were awarded marks for the correct shift to the right of demand and for the original and new equilibrium.

Question 9(b)

Students performed very well on this question. Half of the marks were awarded for defining positive and normative statements. The vast majority referring to value judgements when defining normative statements. Definitions of positive statements referred to the ability to test as true of false and the fact it is value free. Most were able to pick up the remaining two marks for example of positive and normative statements. Normative statements were most commonly identified in terms of multiplex cinema prices being unfair as a value judgement. In this instance students were awarded for reference to positive statements within Extract 1.

Question 9(c)

The performance on this question was good. Most could define external benefits accurately and identify examples from the Extract in terms of the additional tourists that benefit third parties such as hotels and attractions. Often they also referred to the government benefiting from increased tax revenue. To evaluate many looked at possible external costs, such as tourists littering or damaging the environment or the damage caused by aeroplanes flying people to the country. The best responses took this point about travelling to the country and made the point that the remote nature of New Zealand suggests significant air miles being needed leading to greater environmental damage. It was leasing the number able to achieve well by offering evaluation and the number developing responses in the context of New Zealand to achieve level 3.

Question 9(d)

This question on maximum price was well attempted on the whole. Many students could offer a standard analysis of how a maximum price will cause a contraction of supply but extension in demand and ultimately leading to excess demand or a shortage. Many successfully used the diagram to illustrate the impact. Where students were able to move this from a Level 2 to Level 3 they specifically related to how this would impact the cinemas in India. They referred to the previous equilibrium price of Rs300 and the new maximum price of Rs120. Often this was done on the diagram and rewarded as application. Many referred to how the cinemas are often running at 50% capacity. Evaluation looked commonly at how revenue is often generated in other ways than just through ticket sales. Others linked to the significance of the magnitude. Others linked to the difficulties in enforcing the maximum price. Centres would be encouraged to look at maximum and minimum prices and buffer stock and emphasising the difference between them is important as many inaccurately drew maximum price above the equilibrium price like you would draw the ceiling price in buffer stock.

Question 9(e)

Students performed well on this question. Students understand how subsidies will affect cinemas in India. It was pleasing that so many did draw a diagram as indicated in the question. Level 2 responses tended to get the correct movement in supply and the lowering or price and increased quantity. Those that showed the cost of the subsidy to the government or the producer and consumer subsidy were able to access level 3. Nearly all do now define subsidy and link to the lowering of the costs of production. The best responses were able to focus on cinemas in India and looked at the affordability improving. Students performing better also commented on the quality of the facilities improving. Better work also looked at how Bollywood and the wider economy would benefit. Evaluation was commonly offered looking at magnitude of the subsidies offered, the significant delays before benefits occur and well as opportunity costs of any subsidy.

Question 10 (a)

Students did well in explaining why prices increased by up to 50%. Most students referred to the weather, flooding and potato disease. They were also able to draw accurately a diagram with supply shifting to the left.

Question 10 (b)

Students performed well here typically defining price elastic and price inelastic. Most looked at addiction to junk food and how people will not respond to the change in price and therefore making it inelastic. Weaker students were more likely to offer a generic response without looking at what we are told about junk food in the extract.

Question 10 (c)

The question looked at the impact of increased consumption of junk food and needed students to focus on external costs. Most accurately defined external costs and some market failure. Where students did best they looked at how it could cause obesity leading to health costs and the third parties in terms of tax payers incurring the costs. Absenteeism linked to health problems was also commonly pulled out from the Extract. Equally many looked at additional revenue and profits for junk food manufacturers and associated employment. Evaluation looked at issues around magnitude, difficulty in measuring external costs and how these costs are often long run. Remember that when the question directs students to external costs these should be discussed but other economic effects should and can also be considered.

Question 10 (d)

The question required students to examine causes of the increase in agricultural wages. With such questions it is important that the Extract is used. A number just speculated without reference to the US agricultural market. For example saying that it could have been the imposition of a minimum wage. Most were able to identify that there is falling supply of labour in the labour market. They also looked at how the demand would contract. Most looked at the supply of labour from Mexico and the strengthening US economy making other options more attractive and available. Also many looked at how low unemployment generally would mean higher wages need to be offered. Better responses effectively used a diagram in their analysis to show how this would cause wages to rise. The evaluation was less commonly offered or well developed but when it was it looked at how current political events may exacerbate the problem. They often looked at how it might be a short term issue. Magnitude was also looked at for example the number of migrants may suggest whether this is an important factor.

Question 10 (e)

As has been a problem previously when asked to discuss a number of measures students do not give enough detail about how the measures they do select will help increase the supply of agricultural workers. There was a lot of superficial work where the policy was identified and it looked at how this helps increase supply but more development of how it helps and the relative merits and problems of the policy would help students to develop responses. A number of policies were identified within the passage including providing accommodation, allowing work permits, offering medical benefit and providing training.

Paper summary

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

Section A: supported multiple choice

- Define accurately the key economic term(s) used in each question.
- Be prepared to annotate the diagrams presented in the questions.
- When diagrams are provided avoid wasting time by redrawing the diagram from scratch.
- Be prepared to draw diagrams when relevant to the question and make sure these are properly labelled and explained in the text.
- Always refer to the information provided, for example give the exact figures for elasticity.
- When annotating diagrams it is important that each curve and new equilibrium is labelled.
- Make sure 'value is added' to answers which use the rejection method. Do not simply state that a particular option is incorrect without explaining why this is the case.

- There was confusion over goods being over-provided with students frequently making reference to external benefits and public goods which in fact would be underprovided.
- Students need to be able to identify examples of public goods and be able to explain how they are non-excludable and non-rival. Students performed poorly on this topic in this paper.
- Government failure lists clearly in the specification examples. It is important they can identify these examples as government failure.

Section B: data response

- Focus on developing economic analysis in the high mark base questions. Quite often students moved from definitions and a brief explanation of an economic issue straight into evaluation. This was evident in 14 mark questions. Economic analysis typically involves explaining the sequence of events leading up to a particular outcome.
- Where students are asked to refer to a concept in a question it is important they do not just define it but attempt to use it to analyse and evaluate.
- Where diagrams are requested these should be drawn as they will be well rewarded- do be careful with the accuracy of these.
- Students need to consider the mark allocations where 14 marks are available 6 marks will be for evaluation and students should be encouraged to develop two in detail or offer 3 with some development. Similarly a 10 marker will require 2 evaluation points for 4 marks.
- When explaining why statements are normative do not link to opinions but to value judgements.
- If asked to refer specifically to titles it is important that students do so.
- For labour market diagrams there is a need to label the y axis wages and not price.
- When drawing diagrams to show maximum price it is important that the maximum price is drawn below the equilibrium price. Some seem to confuse the maximum price and draw it above like the ceiling price in buffer stock.
- When asked to look at a number of measures it is important that each measure is developed in detail to look at how the measure would work and how it would help achieve the objectives. It is also important to consider the associated problems of the measure.