Examiners' Report
Principal Examiner Feedback

October 2017

Pearson Edexcel IAL
In Economics (WEC04)
Paper 01 Developments in the Global Economy

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General comments

There was a relatively low entry for this paper (just over 300 students). It should therefore be noted that the comments that follow are based on a relatively small sample size.

In Section A, Q1 and Q2 were the most popular amongst the three essay questions whereas Q3 were attempted by a small numbers of students. Q5 proved to be the more popular option in Section B. Slightly stronger average performances were seen on Q2 from Section A (mostly driven by Q2(b)), and on Q5 from Section B.

Generally, scripts were of a better quality than previous sessions. Responses to the essay questions in Section A showed good levels of depth and breadth. Some students struggled to understand the requirements of the question and often did not add sufficient evaluation to their answers. Typically, examiners are looking at three well developed and contextualised analysis points and two well developed and contextualised evaluative points for 15 mark essay questions. Similarly, the examiners are looking at four very well developed and contextualised analysis points and three very well developed and contextualised evaluative points for the 25 mark essays.

Similarly in answers to Section B, some students did not make appropriate use of the relevant data provided in the extracts. Despite this general trend, there were several good scripts. Students were able to integrate most of their analysis with application to context and evaluated their own arguments in detail.

The questions were accessible at all levels and provided some good opportunities for students to differentiate themselves by ability. Answering the exact question asked, integrating data with analysis and strong evaluation remain the essential ways that the A-grade students achieve higher marks.

Specific comments

Section A

Question 1(a)

This was a popular question amongst the students. Students have been able to explain possible causes of the deficit on the current account. A point very well explained related to an overvalued exchange rate. Students also discussed other causes such as high marginal propensity to import, low productivity, as further analysis points. They were also able to provide chains of reasoning and this gave them a high score, putting them in level 3.

Those students who listed points were not able to access any more than level 1. Few who were able to explain their points but had weak development, were not able to achieve more than level 2. Their arguments lacked any chain of reasoning and therefore were unable to access level 3.

However, many students were not able to evaluate the question effectively. They evaluated the significance of current account deficit (this relates to the question asked in Q1(b)) and not the possible reasons for the current account deficit. As a result, they were unable to gain access the highest level. This was seen in the answers of students of all abilities.

Question 1(b)

Many students were able to identify and explain the significance of the current account deficit. Whilst students were able analyse their arguments in details, their evaluation points were often limited. Some students did not refer to any country of their choice and hence, were not able to access level 5.

Majority of the students analysed the problems of a current account deficit and used the reverse arguments as evaluation. If the students answered the other way round, they were credited in the same way as this is acceptable given the nature of the question. Examiners used either approach as analysis depending on the number of points and depth of arguments made by each student.

The most common analysis points made by students were lack of international competitiveness indicating lower economic growth and increasing unemployment, and net leakage from circular flow of income causing a fall in AD and income via the multiplier effect. Some students also explained how a deficit may lead to a depreciation in the exchange rate and there was a danger of an increased use of protectionist policies by countries with trade deficits. There were a few students who were only able to give a couple of points for each analysis and evaluation. They were not able to access higher levels.

Few students only evaluated 2 points but they tended to be less developed. They argued that it is not significant if the deficit is due to purchase of capital goods and if it is only a small percentage of GDP.

Many added depth to answers using diagrammatic analysis and by referring to a country. They were able to achieve level 5. Others were not able to develop their arguments in much detail and could not access the higher levels.

Question 2(a)

This was the most popular question among students. Most performed well across both parts of this question.

The majority of students were able to identify and explain the various factors that influence the exchange rate. They used interest rates, speculation and balance of payments as their main arguments. They were able to provide logical chains of reasoning often linking their points to demand and supply of currency. This gave them high marks, putting them in level 3 for analysis. They also made a couple of well-developed evaluative comments on the points they discussed and were able to access level 5. Although some students demonstrated well-developed analysis points, they were unable to explain their evaluative comments in depth and could not access many further marks.

A few students were able to identify factors but not develop them in context of the question. Some argued that exchange rate is affected by demand and supply of currency without citing a clear reason. This was only credited as one point and hence, they were not able to access higher levels.

Question 2(b)

Many students were able to access higher levels as they have presented a good understanding of how depreciation in the value of a country's currency improves its economic performance. A lot of good answers were seen for this question, and in particular where students were able to apply answers to a country (although not required) in a positive way. Many were able to include sufficient detail, and integrate their analysis and application to a greater extent.

Responses that received higher levels had strong analysis and evaluation points. Many discussed points on the current account of the balance of payments, impact on AD, economic growth and unemployment. These were well developed and few used AD/AS analysis to support their arguments. Only a few analysed the impact on the financial account of the balance of payments.

Evaluation points were commonly well written and most arguments included the point on cost push inflation. Some students drew on these concepts to a lesser extent in their answers. They did not often develop their arguments further and needed to show more breadth and depth to their answers.

Those students who listed points were not able to access any more than level 1. Few who were able to explain their points but had weak development, were not able to achieve more than level 2 for their analysis. Some of these students did show diagrams in their answers, but this was not credited unless it was used in their explanation (which many stronger students have demonstrated).

Question 3(a)

There were very few students who attempted this question. Students were not always able to draw upon macroeconomic theories effectively to answer this question. They were not able to evaluate the economic effects of agricultural subsidies paid to farmers in developed economies on the global economy. The students could not access level 5 if they did not refer to a developed country in their answer.

Many students discussed microeconomic impact of subsidies in their analysis. No reference was made to the global economy and hence, students were not able to access more than level 2 for analysis. Some explained their answer using a supply and demand diagram and did not discuss the impact on consumer and producer surplus. Additionally, they were not able to link all their arguments to a developed country. This meant the students often found it difficult to access level 3.

Only a few students discussed the impact of resource allocation in global economy and distortion of comparative advantage across world, along with the impact on the balance of payments. This allowed them to access higher levels for analysis.

In the evaluation, students mostly identified one issue of subsidy – the size given. However, most arguments lacked breadth and the depth of their points were relatively limited. They also struggled to evaluate in context.

Across scripts, there was little application to a developed country of their choice. Applying answers with country reference may provide students with a framework in which to base more in-depth analysis and evaluation. Students who answered this question, therefore, found it difficult to access the highest levels.

Question 3(b)

Students produced some good answers to this question, and in particular were able to apply their answers to countries. It was obvious that when students chose to discuss their own countries, they were able to include far more detail, and integrate their analysis and application to a greater extent. Students could not access level 5 if they do not refer to a country in their response.

The differences between strong and weak answers were two-fold. Firstly, weaker answers tended to be very descriptive and did not include economic knowledge or theory in their analysis. This meant that responses lacked depth, limiting the students to level 3 marks. Secondly, weaker answers lacked evaluative comments and were often just listed.

Responses that received higher levels made good analysis points. They were able to explain factors that may have influenced changing patterns of trade between countries over time. The most common points discussed included changes in the exchange rates, opening up of China and collapse of communism, and reduction of trade barriers. They showed reasonably good depth to their analysis but often lacked necessary detail in their evaluative comments. They were also not able to develop their points on the above analysis arguments that they made, often just listing them.

Section B

Question 4(a)

This question was generally not well answered and students were not able to accurately define terms of trade. Many gave the formula and were able to gain full application marks. Some students did not write the correct definition and hence, did not get full marks for knowledge. Examiners were looking for two separate pieces of data reference and only a few students were able to access both application marks.

Question 4(b)

Students were able to identify two possible reasons for the trend in Botswana's terms of trade but often found it difficult to develop their points. Most common points which were seen to be most developed were depreciation of the exchange rate and low inflation rates. They were able to select these points from the extract but did not always add depth to their answers. This did not allow them to get 3 marks for each point. A fair number of students who obtained 3 marks per point linked back their points to export prices and/or import prices and its consequent impact on the terms of trade.

Almost all students were able to access two application marks as they were able to make reference to these reasons. Few students made references to other data from the extract and this was not awarded as it was not in the context of terms of trade.

Question 4(c)

Although students were able to use the extract to identify and explain the factors that may constrain Botswana's economic growth they were unable to consistently apply it in context. They struggled to account for suitably detailed explanations of the factors to earn them level 3 mark for knowledge, application and analysis. For every 12 mark question, 8 marks are available for knowledge, application and analysis and 4 marks for evaluation.

Level 1 would be the identification of a factor, for eg human capital inadequacy. Level 2 would be the identification of a factor and use of data OR development of point, for eg human capital inadequacy as seen from the "quality of academic experience has been weak" or lack of skilled workers leading to low productivity and a fall in LRAS.

Level 3 would be identification of a factor, use of data AND development of the point, for eg human capital inadequacy as seen from the "quality of academic experience has been weak" *and* lack of skilled workers leading to low productivity and a fall in LRAS. Some students have explained their analysis using an AD/AS accurately labelled diagram and linked their arguments to economic growth. This approach should be followed, whenever possible, to gain the higher level marks.

Some students' answers often lacked depth and breadth. They were able to apply the data from the extracts but with no further development and this got credited at Level 2 if mentioned along with the identification of a factor. Additionally, a few students did not use Extract 1 as instructed and gave a range of their own points which was not credited.

Evaluation was lacking. Often students listed basic evaluation points without development and this gave them access to Level 1 only. Only a few students made use of the extract provided, explaining how Botswana has the potential for further growth through "non-mining sectors including trade and tourism, as well as financial services" which could boost investment – thereby giving them access to Level 2. Typically, examiners are looking for 3 very well developed analysis points and 2 well developed evaluation points in 12 mark questions.

This question could not be fully or meaningfully answered without reference to the data provided, and many students did not appreciate this and tried to write answers solely from their own knowledge. Those who did try to make reference to the data were able to offer good analysis of the evidence.

Question 4(d)

Most students have been able to explain many potential economic benefits of expanding tourism in Botswana and have added depth to their answers. For listing various factors, they could only access level 1. Many were able to add development of their points but did not get level 3 if they did not write it in the context of the question given. For this reason they were only able to achieve level 2. For 16 mark question, 8 marks are available for knowledge, application and analysis and 8 marks for evaluation.

Level 1 would be identification of a benefit and level 2 would be identification of a benefit and use of data OR development of point. Level 3 would be identification of a factor, use of data AND development of the point. Students used a range of points from raising tax revenue, attracting more FDI, and increasing AD and the multiplier effects.

Evaluation points were similarly well written. Many students made an attempt to evaluate the analysis points they had argued. Students who listed all their points without any development and therefore accessed only level 1. To access the higher levels, students need to show good levels of both depth and breadth in answers. Typically, examiners are looking for 3 well developed analysis points and 3 well developed evaluation points in 16 mark questions.

This suggests that additional practice in reading and understanding the kind of extracts found in data response questions would be beneficial, as would practice in how to integrate application with students' own analysis to make a complete and well explained argument.

Question 5(a)

This question was generally well answered and students were able to show good understanding of the term absolute poverty. Most students were able to gain full knowledge marks but few did not explain the definition in full. Examiners were looking for two separate pieces of data and almost all students used the extract effectively to access both application marks.

Question 5(b)

Students were able to give an understanding of the Gini coefficient but often did not label the Lorenz curve accurately. Only a few students were able to gain two knowledge marks as they correctly defined two key terms. For analysis, most students showed a correct shift of the Lorenz curve but a few students did not shift the Lorenz curve and did not use it in context of the Figure provided.

Almost all students were able to access the two application marks as they were able to make reference to the question, where the figure suggests that Nepal's Gini coefficient decreased by around 5 percentage points between 1990 and 2013. It was pleasing to see students showing an understanding of the difference between percentage and percentage points. However, there were few students who made no reference to the extract.

Question 5(c)

This question required the students to assess the likely causes of rising income inequality for many countries in Asia. Students were able to effectively answer this question where most of them used the information from the given data to support their answers and explanations. Few were able to provide sufficiently detailed explanations of the causes to earn them level 3 mark for knowledge, application and analysis. For every 12 mark question 8 marks are available for knowledge, application and analysis and 4 marks for evaluation.

Level 1 would be the identification of a cause, for eg wage rates, education, pensions. Level 2 would be the identification of a cause and use of data OR a development of the point. Level 3 would be identification of the cause, use of data AND development of the point. This approach must be followed, whenever possible, to gain the higher level marks.

The evaluation points were relatively weak across all scripts. Many were able to draw upon significance of a cause being different in different countries in Asia but this was not always developed. Some students just listed points and therefore, only accessed level 1.

This question could not be fully or meaningfully answered without reference to the data provided, and many students did not appreciate this and tried to write answers solely from their own knowledge. Those who did try to make reference to the data were able to offer good analysis of the evidence.

Question 5(d)

This question was answered reasonably well in terms of analysis, with students showing good understanding policies that Asian countries could implement to reduce income inequality. Many students discuss policies mentioned in the extract, from taxes needing to be more progressive, to better targeting of social benefits to addressing gaps in the legal protection for workers. Some students have used the extract to develop their chain of reasoning. For a 16 mark question, 8 marks are available for knowledge, application and analysis and 8 marks for evaluation.

Many students tend to only list policies without development and this gives them access to level 1. Many who have identified their points and linked them to the extract for application, only access level 2. To access level 3, students needed to identify the policy, use the relevant data and develop their point in context. Few students used the AD/AS diagram in their answers to support their arguments.

Evaluation was a little generic but few students offered the drawbacks of each policy they discussed. These students were able to access the higher levels as they answered their questions in context of Asian countries. To get the access to higher levels, students need to be consistent with the context in their points and show good depth and breadth in the answers. Typically, examiners are looking for 3 well developed analysis and 3 well developed evaluation points in 16 mark questions.

This suggests that additional practice in reading and understanding the kind of extracts found in data response questions would be beneficial, as would practice in how to integrate application with students' own analysis to make a complete and well explained argument.

Paper summary

- Students must read all the questions carefully, and make sure that they have addressed all parts of a question in their response. In a few different questions on this paper, not understanding requirements of the questions, in terms of depth and breadth, was the main reason for low marks.

- Application is a key assessment objective, and a skill that all students should aim to show throughout their responses, even when a question does not explicitly ask for it. Particularly in response to essay questions in Section A, reference to particular countries and examples would help to improve the quality of responses and allow students to add depth and breadth to their points.

- Evaluation is the highest level assessment objective and on this paper in particular, the ability to evaluate was the main discriminator between the weaker and stronger responses. Indeed in some cases, students did not even attempt any evaluation which immediately constrained their marks on the questions that required this.

- The 8 mark data response questions have a set structure and has a way in which marks are awarded (2 application marks and 3 analysis marks for identification and explanation of each point made / showing diagrammatic analysis). For the non-diagram based questions, students would benefit from being familiar with this, and making sure that they fully understand the need to make two separate points, and to include data reference and their analysis within their explanation of each point.

- To access the highest level, students must show sufficient depth and breadth to their analysis and evaluation points. These points must be consistently written in context of the question. Material also needs to be presented in a relevant and logical way.