

Examiners' Report

Summer 2014

Pearson Edexcel GCE in Economics
6EC02 Paper 01R

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Introduction

This was an accessible paper and many students were able to score highly on a number of the 6 and 8 mark questions. There were also some questions which proved challenging to many students and only the most successful of students answered those questions effectively. In general, students were able to complete the paper in the time available. However, it should be reiterated to students that they should allow approximately 30 minutes to complete the 30 mark questions. As a result they should not over answer the shorter questions. Writing both papers and essays under timed conditions is essential preparation.

As usual students had a choice between two data response questions. Question 1 proved to be twice as popular as question 2. The mean mark on question 2 was lower than that on question 1. This was partly due to students performing less well on the 30 mark question in question 2 as students often failed to directly address the question. When choosing which data response question to take students must take into account their strengths relative to the 30 mark essay topic. More importantly, they must answer the question set, rather than one of their own choosing. Furthermore, students benefit from quickly planning their answers to the longer questions, in particular the 30 mark ones.

The performance on individual questions is considered in the next section of the report. However, in general, students should ensure they use fully and accurately labelled diagrams in their answers where appropriate. They should also ensure they should answer the questions in the context of the data provided and the UK economy. Candidates should also remember that their quality of written communication (QWC) is being assessed in those questions highlighted with an asterisk. Although no marks are specifically awarded for this, in these questions examiners will be far more reluctant to 'do the work for the candidate' in terms of trying to ascertain the meaning of an unclear, or poorly expressed answer.

Question 1

1ai: With the aid of a diagram and reference to Extract 1, explain what is meant by “output gap” (6)

This question was answered very well. Over 40% of students secured 6 marks and the mean score was almost 5 marks. Most students used a business cycle diagram to illustrate the output gap. A number of students did not label these diagrams correctly. For example, using price level on the Y axis. Some students made use of PPF diagrams, though in some cases they showed a fall in potential output rather than an output gap. Surprisingly few students used an AD/AS diagram illustrate the output gap, those that did usually drew accurate diagrams.

1aii: With reference to the third paragraph of Extract 1, define investment. (Extract 1, line 14). (4)

An understanding of Investment as additions to capital stock is essential. A number of students still define investment as “putting money into something to make more money.” In addition many students failed to use the extract effectively in their answer. As a result the mean score in this question was only 2.6

1aiii: Explain two likely causes, other than monetary policy, of the fall in investment in research and innovation by British companies (Extract 1, lines 29–30). (8)

This question was answered well. However, some students lost marks as they suggested that corporation tax had increased during the time period under consideration. Students must be aware of the recent UK economic policies and should ensure they answer questions in this context.

(b) (i) Assess the effects that increasing numbers of overseas students could have on the UK economy. Use an aggregate demand and aggregate supply diagram in your answer. (12)

Students performed well on this question. The mean mark was over 9 out of 12. An increase in AD was the expected answer and a mechanism for this occurring was often linked to exports or an increase in consumption due to the increased population. However, many students jumped on the idea of education as a supply side policy and shifted AS. This was rewarded as long as students explained that overseas students were often able to work part time thus increasing the labour supply, or that the students may remain in the UK once they have graduated. Some students did secure full marks in this way, but the importance of students being able to correctly categorise impacts as primarily demand side or supply side cannot be overstated.

(b) (ii) Outline two mechanisms by which “low interest rates” (Extract 1, lines 47–48) can lead to economic growth. (8)

This question was answered very well indeed. Over 50% of students secured full marks and the average score was above 6.5 out of 8. Centres should be congratulated for ensuring their students have a good understanding of the monetary transmission mechanism.

(b) (iii) Evaluate the impact of the “increase in the number of public sector employees” (Extract 1, line 56) on the UK economy. (12)

Many students were able to identify and explain the impact on economic variables such as unemployment, growth, and the budget deficit. Good evaluative points included the concept of crowding out and the potentially unsustainable level of the borrowing. Some students argued that increasing the number of public sector workers would increase productivity. This was rarely justified sufficiently to be rewarded. The average mark on this question was 8 out of 12.

(c) Evaluate the merits of using supply-side policies to overcome ‘the Great Stagnation’ (Extract 1, line 1). (30)

This classic supply-side policy question was answered well. The mean mark was nearly 19 out of 30. Many students produced well organised accounts of the role such policies could play in helping to overcome the “great stagnation”. Students should be reminded that the policies their answers must be focussed on the question, in this case linked back to either the great stagnation or economic growth. To achieve the highest marks in the 30 mark questions evaluative comments must be developed somewhat and be relevant to the context of the question and the UK economy.

Question 2

(a) (i) Outline two main components of the Balance of Payments on Current Account. (4)

A mean mark of nearly 3 out of 4 suggests this question was answered well by most students. To achieve full marks students needed to do more than just mention imports and exports.

(a) (ii) Explain two possible problems for the UK economy of its persistent current account deficit as shown in Figure 1. (8)

With a mean of 4.5 out of 8 this proved to be the most challenging of the 8 mark questions on the paper. A number of students answered this question successfully by focussing on the impact on aggregate demand and/or the impact on employment in export industries. Unfortunately a significant number of explained two possible causes of the persistent current account deficit.

(a) (iii) With reference to the information provided, assess the effect of a weakening of the sterling exchange rate on the UK Balance of Payments on Current Account. (12)

The knowledge and analysis shown in this question was excellent and many students secured the full 8 KAA marks. Nearly 30% of students also went on to secure the 4 evaluation marks often effectively using the information in the extract very effectively.

(b) With reference to the information and your own knowledge, examine two factors that might explain the change in the UK unemployment rate since 2008. (12)

As in the previous question many students demonstrated excellent knowledge and analytical skills. The impact of the financial crisis were explained very well. Perhaps promoted by (aiii) many students convincingly used the economic problems in parts of Europe to explain decreasing employment in export industries. However, in this question evaluation was relatively poor. Although possible in this case, it is not always practical for students to use "on the other hand" evaluation. Instead evaluative marks can be picked up by prioritising factors, considering the extent of the impact of the factor, explaining the long run implications or by considering the impact on different groups within the labour market.

(c) (i) Explain how the rate of inflation is measured in the UK. Refer to the concept of weights in your answer. (6)

This question was answered well. 35% of students secured full marks and the mean mark was 4.2 out of 6. By insisting on an explanation of weights for full marks allowed those students with a good understanding of the calculation of inflation the chance to stand out.

(c) (ii) With reference to Extract 1, explain how a rise in the "percentage of household disposable income saved" (Extract 1, line 2) may affect real output in the UK economy. (8)

This question proved to be very accessible. More than 40% of students secured full marks. Students were able to clearly explain the impact of higher savings often using AD/AS diagrams effectively. Students should be reminded that appropriate diagrams are often rewarded even if they are not specifically asked for in the question. The mean score was over 6 out of 8.

(c) (iii) With reference to the data and your own knowledge, discuss the issues that the Monetary Policy Committee of the Bank of England might consider when seeking to achieve its inflation target. (30)

A large number of responses on this 30 mark essay did not answer the question. Instead students often provided an account of how monetary policy affects the economy. Such answers did manage to secure a number of marks depending on how they were worded. However this meant that the mean score was only 16 out of 30. Students who did address the question were handsomely rewarded. On this question students also often offered rather brief evaluative comments. As stated before, in these 30 mark questions evaluative comments do need to be developed somewhat to achieve the highest marks.

Paper summary

Students should be congratulated on the efforts they made in preparation for this unit. The following advice will be useful for students taking this unit in the future.

- Choose which question to answer carefully, and place great weight on the 30 mark question when making the choice
- Once started a question it is usually better to stick with it rather than to change mid exam. Time is limited.
- Use diagrams whenever appropriate and make sure they are labelled correctly.
- Evaluation is not required in the 4,6 and 8 mark questions.
- When evaluating your answers make sure that you do so in the context of the question, the data and the economy. Make sure that generic evaluative phrases are relevant and applied appropriately.
- Finally, It is worth repeating the most important message to students again. They must answer the question set, and as they write they must refer back to the question to ensure they remain on track.

Grade Boundaries

Grade boundaries for this, and all other papers, can be found on the website on this link:

<http://www.edexcel.com/iwantto/Pages/grade-boundaries.aspx>

