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Examiners' Report
June 2022

GCE Economics A 9EC0 03

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Introduction

The paper was seen to be highly accessible, and the context of the questions was fully in line with the Advanced Information, and most questions were answered with cogent economics and integrated diagrams. The data was readily usable, and the best answers made use of it in every question, as indeed is expected on data response papers. The lack of time to digest the data was an issue for many students and there were many essays that were written entirely out of context.

The area causing the most problems for students was 2c, given that the concept of absolute advantage was not generally used or applied. Most diagrams were AD/AS rather than the expected absolute advantage tables or PPFs, and the mark scheme was broadened to ensure that the majority of candidates could access marks despite the seemingly challenging question.

There was a tendency for candidates to write far too much for the 5 – and 8-mark questions, running out of time at the end. Candidates should be reminded that full marks can be earned in a fraction of the space available on the exam paper itself, and there is an especially large amount of space given when diagrams or calculations are required, to allow for crossings out.

The main problem seen by examiners was the lack of exam practice, exam skills and general inability to work through unseen data and relate this to the models and theories that had been taught or self-taught.

Question 1 (a)

This was an accessible question which produced good answers, and the mean score was well above average for a 5-mark question across the Papers and the exam series as a whole.

Many candidates benefited by including an externality diagram, although not asked for. There were a significant number of candidates who suggested a negative externality in consumption and supported this with an accurate diagram (even though this is not required by the Pearson Edexcel specification) for example in the consumption of HFSS foods without 'getting up from their sofa'. This was not essential to achieve full marks and should not be encouraged because it tends to cause confusion and incorrect analysis when diagrams not required are forced into an answer. It was much more effective to draw a negative externalities in production diagram, and then consider the effects on third parties of food delivery using fossil fuels.

Generic references to 'harms the environment' did not score highly. Candidates needed to explain the impact on the third party. Note that 2 marks are available for application and referring to the information provided. Some candidates failed to use the information provided which restricted the available marks. Candidates should be encouraged to be explicit in their conclusions namely that in the presence of negative externalities the free market will over provide.

This answer does not refer to a third party, and refers to workers, which are not external to the transaction.

(a) Using the information provided, explain **one** externality that arises in the food delivery market.

(5)

One externality is a negative externality such as ~~external shocks~~ costs ~~These private costs~~ external costs. Workers in the food delivery market such as delivery drivers have to pay extra costs such as money for petrol and ~~extra~~ other costs to maintain their vehicles. These costs are all outside the economic transaction as it is not between the producer or consumer.

Another external cost includes the waste caused by the '1.4 billion pieces of plastic' for food containers. This negatively harms the environment ~~and causes harm to~~ meaning harm to third parties.

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Examiner Comments

There is use of data so there is 2/2 for application. The knowledge of the meaning of the term 'externality' is identified in line 8 but the impact on the third party is too vague – the 'environment'. A specific impact, e.g. days at work lost from asthma sufferers, is more clear as to who the third party is.

3/5 total

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Examiner Tip

Identify a third party.

There are 2 marks for application.

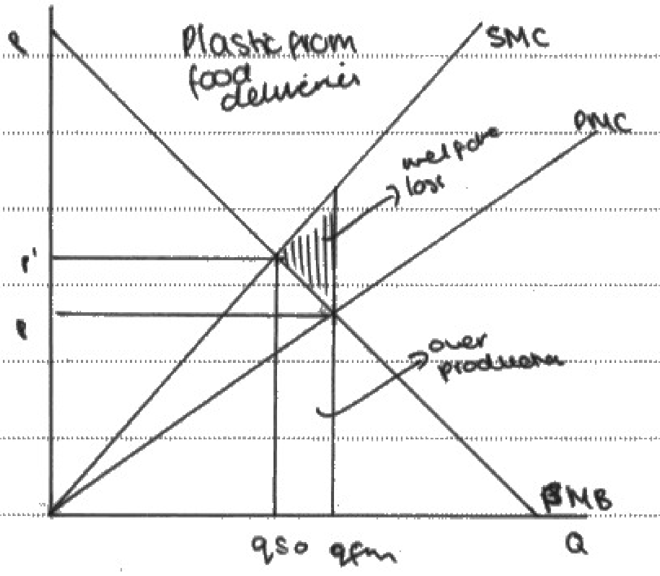
Use a diagram if you can.

This was a very clear 5/5.

(a) Using the information provided, explain **one** externality that arises in the food delivery market.

(5)

A negative externality is the spillover effects on third parties that are not taken into account by the price mechanism. In the food delivery market, this could be the "many layers of packaging" as there are around "1.4 billion individual pieces" annually.



The diagram shows an externality SMC = EMC + PMC, and the external costs being the plastic, harming the environment by pollution into the seas for example. This leads to market failure as it fails to achieve a socially optimal output in the free market.

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Examiner Comments

The diagram is correct and the one that the specification expects to see. There are two marks given for the diagram alone. There is clear use of the data (1 + 1) and the answer explains externalities clearly. There is a clear effect on the third party.

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Examiner Tip

A diagram saves a thousand words.

No evaluation is required on any 5-mark questions. But application is always needed – at least 2 marks on every question on this paper.

Question 1 (b)

This proved to be a difficult question with a mean mark significantly lower for the equivalent question in Section B. Most candidates had good understanding of the reasons why price elasticity might be inelastic and there were some very insightful evaluative comments which went beyond the generic. The question discriminated well between those who had a secure grasp of the concept of income elasticity and those whose understanding was less secure. The key to answering this question well is to explain price inelastic and income elastic demand in order to get analysis marks. There is no need to define PED and YED. Drawing a steep demand curve and showing a rise in price, for example, leading to a rise in TR is an effective way to earn both knowledge and analysis marks. Candidates found it more challenging to explain the concept of income elastic demand. While most candidates identified that take-away meals might be normal or inferior goods, there were a few good explanations of the responsiveness of demand changes when incomes changed.

The highest scoring answers used the data effectively, and could argue evaluatively, for example that in the global health crisis there were few alternatives, or that when incomes during that time fell demand rose the effect was to make inferior goods.

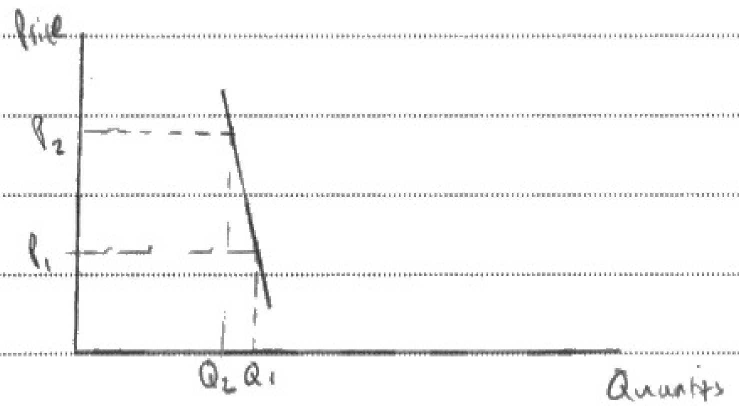
This was a slightly above average score, and benefits from gaining the 2/2 application marks. The diagram is limited in its usefulness, but there is no evaluation.

(b) With reference to Extract B, examine whether the demand for delivered food is price inelastic **and** income elastic.

(8)

~~delivered food is price inelastic~~

Price inelasticity is when an increase price doesn't affect Quantity sold as much. ~~a~~ Delivered foods are price inelastic, this is because ~~they are~~ 'Time poor proffessionals are increasingly turning to delivered foods. This would mean that ~~people~~ consumers who have less time on their hands wouldn't have enough time to cook their own food, therefore purchasing delivered foods for the convincedence. This would be irrational as delivered foods could be 5x more expensive than home cooking



Delivered food is also income elastic this is because it costs 5x more than home cooking. This would mean that having discretionary income is necessary in order to buy delivered food as it is a luxury good rather than a common good.

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Examiner Comments

These were the examiner's annotations:

2K

1AN

2 AP

0 EV

= 5/8

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Examiner Tip

It is useful to remember that for 5 and 8 mark questions there is a points based system of marking, and there is no point in writing more to illustrate certain assessment objectives than the marks available.

This is a very effective answer.

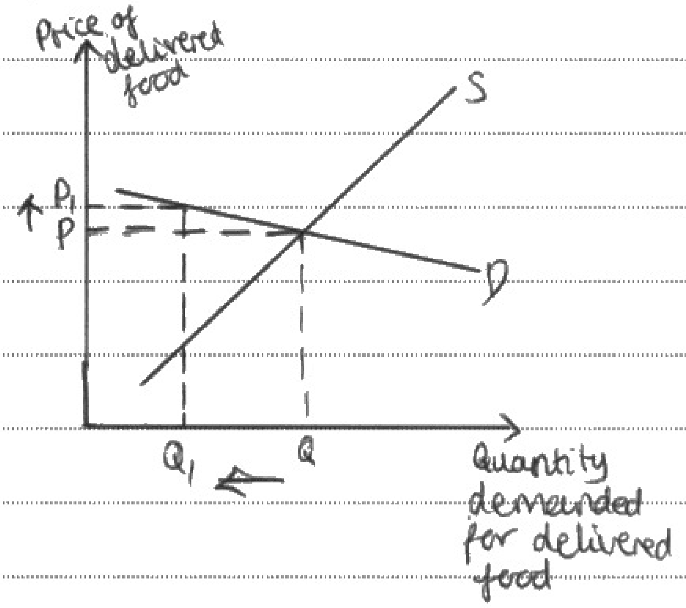
responsiveness of QD to ΔP

(b) With reference to Extract B, examine whether the demand for delivered food is price inelastic **and** income elastic.

(8)

Demand for delivered food is price inelastic in demand. This means that quantity demanded for delivered food responds less than proportionately to a change in price. Extract B states the average spend per customer is 'five times more expensive than cooking at home' ~~these demonstrate that~~ as well as the fact '200 million meals' are delivered annually. This indicates that despite the higher price of the increased '£5 delivery fee', demand still remains high.

To evaluate, demand may only be price inelastic for those that are richer. For example, those ~~on~~ who are not as well off may switch ~~to~~ cooking meals at home if price of delivered food were to rise. This is demonstrated on the graph below.



As price rises by a small amount from P to P_1, quantity demanded falls significantly from Q to Q_1. Demand for delivery food is therefore price elastic to some.

Demand for delivered food is income elastic. This means that quantity demanded for delivered food responds more than proportionately to a change in income. Extract B states 'cash rich, time poor proffessionals increasingly turn to food delivery'. This shows that as people become richer, they are able to spend a higher proportion of their increased income on delivered food. This may be because they trade up from inferior goods such as supermarket own-brand products to food delivered from restaurants.

To evaluate, those on low wages in the UK also use delivery services such as Deliveroo and Uber Eats. These services also deliver cheap food such as McDonald's and KFC. This would suggest that an increase in income may not change quantity demanded for delived food, but rather what restaurants ~~food~~ is being purchased and delivered from.

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Examiner Comments

Full marks are awarded – note the well written evaluative paragraph at the end.

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Examiner Tip

Evaluation can be as two single evaluative points or one developed evaluation point.

Question 1 (c)

This was an accessible question and candidates were well briefed on the consequences of integration. Effects such as economies of scale and increased market share were popular with candidates. Good answers tackled the different types of integration explicitly e.g. horizontal and conglomerate, using the data and a diagram.

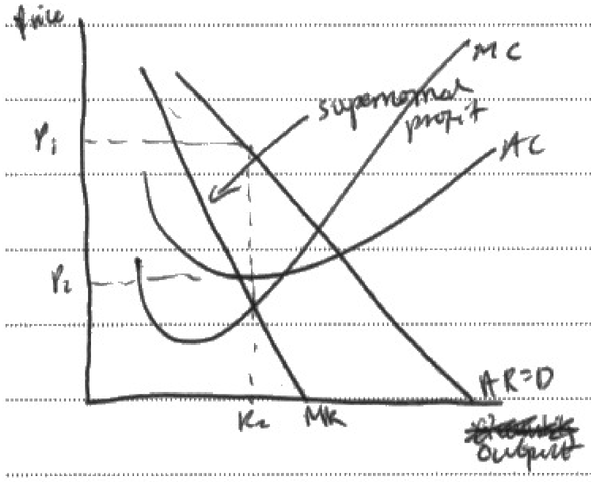
This was a good answer, but there were weaknesses which were reflected in the L3 – and L2e – scores.

(c) With reference to Extract C, discuss the likely effects of increasing integration within the food delivery market.

eBay – PayPal

(12)

Integration is the conjoinment of at least 2 firms to expand and combine resources for increased market share. One likely effect is a formation of monopoly / monopsony power.



Just Eat, the market leader, agreed to merge with Takeaway.com. As a result, they are able to charge high prices with such an increased level of market share at P_1 Q_2. Small businesses "anger" is increasing to such integrations as they are simply unable to compete. As a result, more innovative potential firms are unable to start and compete, especially with such high sunk costs for the technology as consumers desire restaurants with delivery options. Furthermore, there is no incentive for innovation leading to a loss

in ~~[illegible]~~ dynamic efficiency, harming the competetiveness and quality of the market.
~~[illegible]~~ On the other hand, with such high supernormal profits, such business like Uber Eats are driven by the motivation to increase that. Due to this, they may invest in better equipment and ~~machinery~~ technology to improve their long term services, benefiting the market.

Another effect of increased integration is ~~a~~ higher quality services. When big corporations, merge, their expertise and resources combine to create a highly ~~[illegible]~~ advanced corporation who ~~[illegible]~~ can provide substantially improved services. An example is ~~[illegible]~~ wholesales and ~~[illegible]~~ Amazon who merged and were able to further expand due to the increased ~~[illegible]~~ and combined economies of scale, ~~[illegible]~~ pushing costs down further. With the increased economies of scale, factor inputs can be improved like labour due to increased profits. This will cause a knock on effect of returns to scale and cascade into further increased profits. This can be used to improve infrastructure and training ~~[illegible]~~ to ~~[illegible]~~ improve the delivery market, with

~~[illegible]~~ improved services.

Opposing this, ~~[illegible]~~ ~~[illegible]~~ a merger like PayPal and eBay led to a demerging in 2014 due to a principle agent problem and divide in goals and beliefs which could drive productivity and output down as worker may be uncertain about they're job situation. This would harm the market.

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Examiner Comments

L3K L2e-

L3K L2e-

Mid L3K = 7

Low L2e = 3

10 + 3 = 12

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Examiner Tip

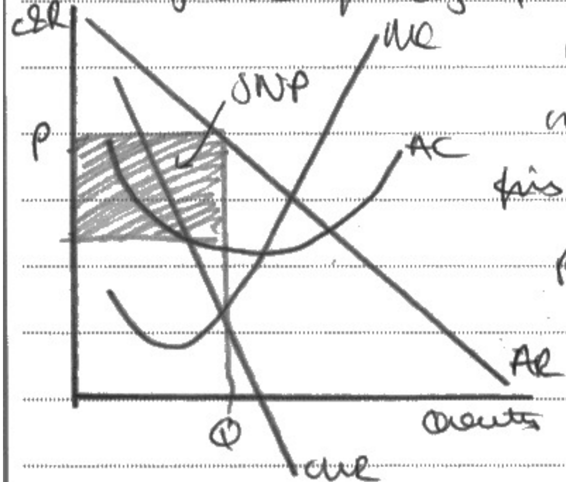
Make a limited number of well-developed points and evaluation arguments, and go beyond two-step chains of reasoning to reach the top levels.

This is a full mark answer, which could have been shorter and still earned full marks.

(c) With reference to Extract C, discuss the likely effects of increasing integration within the food delivery market.

(12)

Integration refers to a merger, amalgamation or takeover which involves either two firms joining under common ownership or one firm taking over the other. The delivery firms Just Eat have agreed to merge with successful firm Takeaway.com in 2020, this is an example of horizontal integration where two firms in the same industry at the same stage of production process join together; a similar example could be the 2015 merger between Astra Zeneca and ZS pharma for £2.7 billion, which helped to boost market share and reduce threat of new entrants. Additionally this form of integration will help firms to rationalise and specialise products and improve quality of service for consumers.



As seen in the diagram this integration would enable these firms to make greater supernormal profits and therefore also enable these firms to become more dynamically efficient as these profits can be used to fund research and development and boost product quality for consumers. However it may be disputed that increased market share and power will mean that firms cannot necessarily have to use their revised revenues and reinvest shares to reinvest when they could easily just use them as dividends for shareholders. Additionally this goes completely under the assumption that the food delivery firms would be profit maximisers when in reality the high degree of contestability within the market likely means only normal profits could be made in the long run.

On the other side of the argument however firms will benefit from integration as this allows mergers and directs to increase wages through factors such as the divorce of ownership and control. For example the Enron scandal in 2001 in which mergers and chief executives hid billions of dollars of debt from shareholders causing the share price to fall from $100 to less than $1 in a year. A similar issue of this could would also be present within the food delivery industry as a result of this integration. Figure 1 shows how following the integration market share would increase the 67.3% which would signify large amounts of monopoly power, which will most likely yield negative impacts on the consumer in the long run. This has allowed Just Eat to use an aggressive pricing strategy, undercutting delivery fees below average cost for other firms, which as a result would likely force new firms out of the market and reduce contestability. Of which is most negative for consumers in the long run as therefore they may experience greater prices once Just Eat increases prices again as well as reduced quality. It may be argued also that horizontal integration is often negative as this largely increases the risk of firm collapsing if market also collapses. ~~So~~ However it may be claimed that the CMA is very present within the food delivery industry and will intervene to prevent consumers from being exploited, as well as the competition from Deliveroo, who sees an ever increasing market there will force Just Eat to operate at a more statically efficient output to prevent losing customers.

ResultsPlus
Examiner Comments

Diagrams and data are well integrated.

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Examiner Tip

Using the diagram and data as part of the answer makes this one stand out.

Question 1 (d)

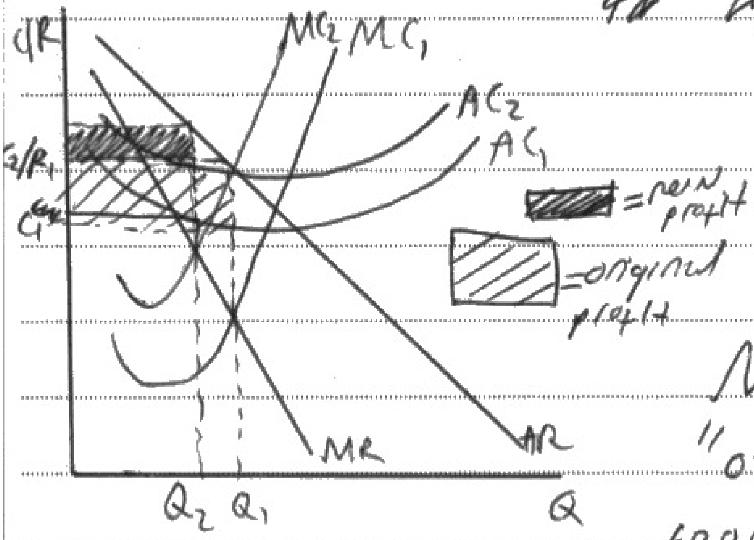
There were some very good essays which showed good understanding of the microeconomics of an exchange rate depreciation on the price of imported ingredients, with many showing a shift in MC as well as AC and a new profit area highlighted. In the macro context some argued effectively that when there is a depreciation, it is likely that the SRAS curve will shift left to reflect the rising cost of imported inputs. A few candidates made explicit links along the lines that a depreciation might increase the popularity of the UK as a tourist destination and so the demand for restaurant meals might increase. Restaurant meals are not typically internationally traded and so it was surprising to see the number of candidates who argued that UK restaurants will sell more meals abroad following a depreciation, or other reasons for a rise in AD. Nevertheless there were some very well informed candidates who showed excellent knowledge of recent developments in the UK economy with regard to the difficulty of attracting staff to this sector.

Micro effects of exchange rate depreciation on the food delivery and/or restaurant sector were well explained and were often supported by an accurately drawn cost and revenue diagram showing a rise in AC and MC. The stronger candidates used type of restaurant to really develop their answers where ingredients would need to be sourced from abroad e.g. Japanese and Asian restaurants. Macro effects were more challenging in terms of application to food delivery and/or restaurant sector. Quite a few candidates wrote about how exchange rate depreciation could lead to food delivery companies increasing their export which was unconvincing. Candidates who developed the macroeconomics effects using the AD/AS model, typically with a well explained diagram, were able to offer more developed responses, which scored higher marks. A reminder to centres that at least one good detailed application to the context provided (i.e. the restaurant or food delivery services) was required to score highly. Generic response to the effects of depreciation, tended to score Level 3 KAA. There was good understanding shown of the Marshall-Lerner condition and J Curve in many responses.

The micro side of depreciation was best linked to costs, as here. The candidate then links the costs of food in restaurants to the diagram by making it clear that variable costs shift, and therefore both MC and AC shift.

A depreciation of the pound is a fall in the value of the pound within a floating exchange rate system.

One micro-economic effect ~~would~~ may be an increase in raw material costs. ~~If restaurants import certain~~ A depreciation in the pound means imports are more expensive, leading to a fall in the amount and value of imported goods. This means ~~f~~ restaurants that import ingredients, for example Italian restaurants importing tomato sauce from Italy, will experience a rise in variable costs. ~~Moreover, considering "a 20% fall in the external value of the pound~~

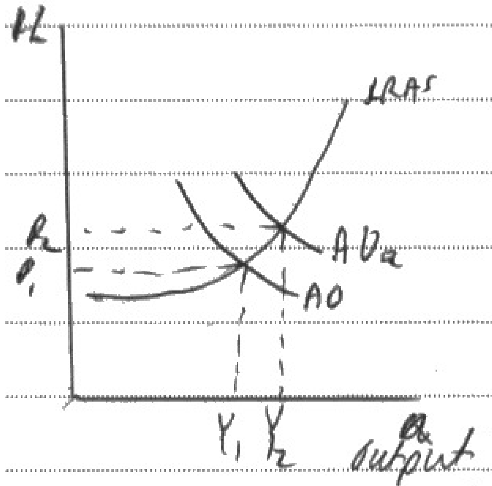


Moreover, considering "over half of restaurants food and drink is sourced outside the UK," ~~along with the "20% fall in the~~ means costs will rise significantly and further decrease ~~f~~ the already "small profit margins." This can be seen on the diagram by the increase in $MC_1 \rightarrow MC_2$ and $AC_1 \rightarrow AC_2$ causing a fall in profit of the shaded area.

However, it may depend upon the ~~elasticity of demand for~~ price elasticity of demand of these ingredients. If there is a wide range of substitutes ~~to~~ within the UK, demand may be seen as elastic meaning although there may be a short term rise in costs, the longer term implications of perhaps having to take items off the menus or off delivery sites due to insufficient ingredients ~~may~~ could potentially be avoided. Therefore, it depends on the elasticity of these ingredients.

~~One macro ec macroeconomic effect is an improvement in the current account deficit in the UK. A depreciation in the exchange rate will mean exports are~~

One macroeconomic effect is an increase in economic growth. ~~Another macroeconomic effect is an improvement the current account deficit in the trade~~. A depreciation of the pound will lead to imports being more expensive, thus decreasing ~~value~~ amount of imports; as well as ~~price~~ UK price of exports decreasing, which will increase the ~~value~~ amount of exports sold. This will cause an ~~imp~~ increase in aggregate demand, ~~the~~ ($AD_1 \rightarrow AD_2$) and an increase in ~~the~~ growth from Y_1 to Y_2. Furthermore, this may increase exports of domestic firms that produce ingredients, which will make their goods more internationally competitive.



~~Additionally considering there has been a "20% fall in external value of the pound," this may cause further grow~~

On the other hand, considering there has been a "20% fall in external value of the pound since 2016," the impact of food costs will be significant. Despite economic growth that comes from the improvement in net trade, the additional inflation this brings may increase the price of food domestically, which will worsen living standards and perhaps exacerbate the effects of absolute poverty. Therefore, the increase in AD may be negative in the long term.

Overall, the microeconomy effects may have more significant short term implications, such as rising costs to a firm, however these can be adopted by finding ways to increase revenue. Further, the macro effects on the economy may have a more widespread impact in the UK, affecting poverty levels and standards of living through inflation and the price of food, despite the increase in economic growth.

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Examiner Comments

This is a good answer but the candidate keeps crossing out work, which is a problem because of opportunity cost. In this case the chains of reasoning are not extended fully so this does not reach the very top of the top levels for KAA and Eval. But at 22/25 there are lessons to be learned from using the right vocabulary and tools of analysis.

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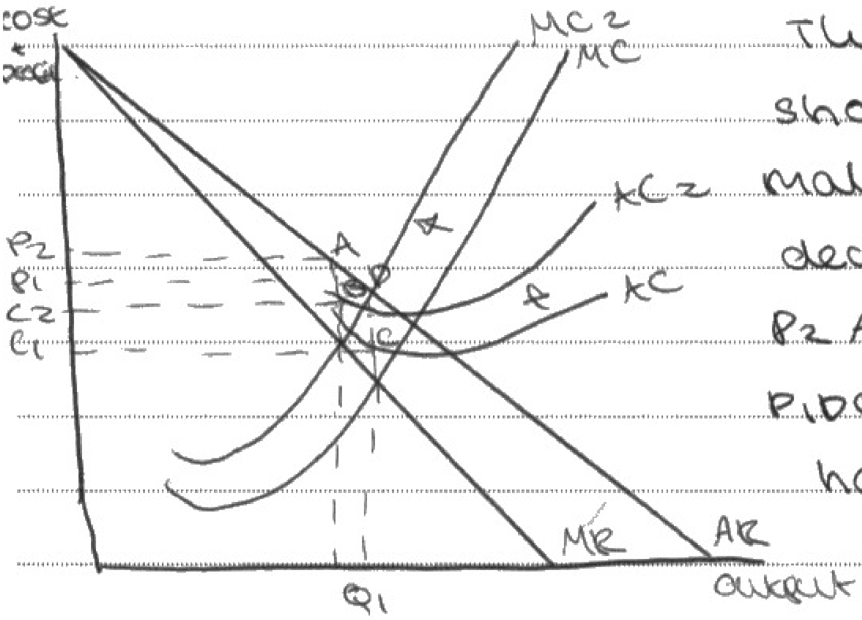
Examiner Tip

The economics student should not aim for perfection either in terms of wording or presentation, but instead purity of logic and strength in the links of the analysis and evaluation.

This is similarly a good answer in terms of logic and the link to costs is again strong. But the noticeable difference is in terms of the chains of reasoning which stay in Level 3 KAA and Level 2 Eval. So for example the costs are not linked to the **variable costs** of food imports for restaurants, and that is merely assumed.

A depriation of the pound refers to a decrease in the value of the pound on the foreign exchange market. The pound is a free-floating currency and it is the currency of the UK.
A depreciation can cause many micro-economic and macroeconomic effects on industries such as restaurants.

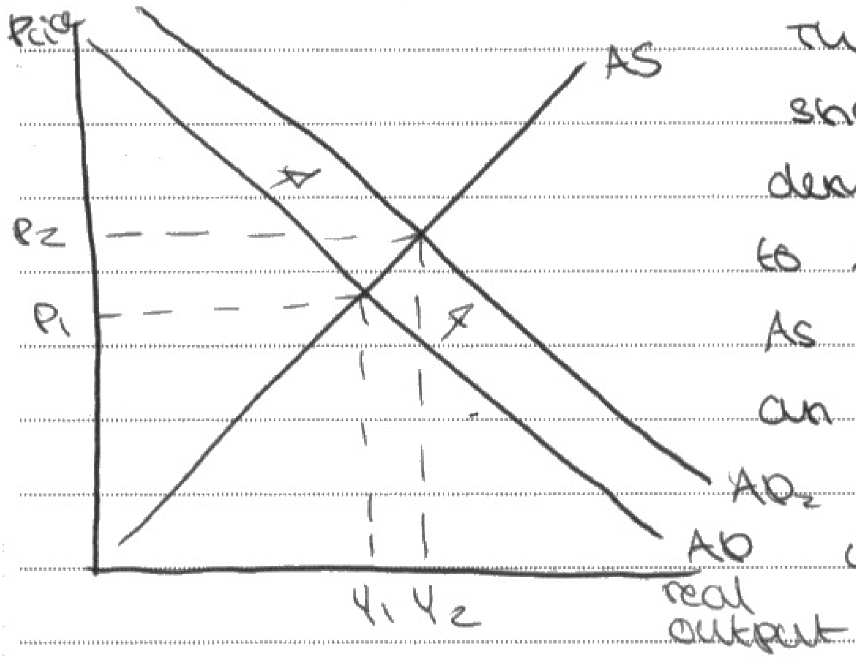
A microeconomic effect of a depreciation of the pound is that it will ~~decrease~~ increase the average costs for firms. This is because it will make imports more expensive. Therefore a firm will make less profit and it can negatively impact them in the long-run. For example they may have to close. For example food produce may become more expensive to import. Such as avocadoes, which will cause restaurants and food delivery services to raise their prices. which might decrease their demand and revenue. For example the oldest pub in England had to close down during covid due to a ~~decre~~ increase in average costs as a result of the depreciation of the pound.



This diagram shows supernormal profit decreasing to P2ABC2 from P1DCC2. Which has happened because of an increase in average costs because of a depreciation of the pound.

However, the effect of a depreciation of the pound on restaurants and food services depends on the price elasticity of demand of the firm's goods and services. This is because if it is price elastic then the higher costs can be passed onto the consumer. Consequently it won't force the firm into shut-down. Also it depends on whether the firm has ~~existing reserves~~ profit reserves from previous years. If they do they can use this to prevent the depreciation negatively effecting them.

The depreciation of the pound will cause macroeconomic effects such as an increase in economic growth. This is because a depreciation will result in an increase in exports as they will appear cheaper to other countries. Which will cause a decrease in the ~~current account~~ trade deficit in the UK. Also, an increase in exports will lead to the multiplier effect as exports are an injection into the economy. Therefore leading to economic growth which will be necessary for the UK's current economic state after covid-19. Another macroeconomic effect is that it ~~will all~~ might encourage people to go on holiday in England instead of abroad. As the depreciation makes it more expensive to change pounds into other currencies such as euros. As the exchange rate in June 2022 is around £1.631 to a euro. Therefore there will be a higher demand for the restaurant industry during holiday seasons such as the summer.



This graph shows aggregate demand increasing to AD2 from AD. As a result of an increased demand for the restaurant industry.

However, the macroeconomic impact of a depreciation of the pound depends on how much it has depreciated by.

~~If~~ it has only depreciated ~~a litt~~ by a small margin then there will be a limited impact on the economy and ~~A~~ economic growth. Also, it depends upon how long it stays depreciated. If it is only for a small period of time then it may hold a limited impact on industries such as restaurants and food services.

In conclusion, a depreciation of the pound has a lot of micro and macroeconomic effects. This is because it ~~b~~ can ~~increase~~ create a competitive lift in the economy. For example it may benefit workers as ~~expor~~ firms that mainly export goods and services may increase their wages. The effect depends upon the economic state of the economy. If the economy is in a depression it might not respond. Also, there might be time lags in consumers, employees and firms responding.

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Examiner Comments

12 KAA marks and 6 Eval. This was the modal score for this question.

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Examiner Tip

Do not force the examiner to do the work for you. If your costs shift, say whether they are fixed or variable then link your application to the diagram that you draw.

Question 2 (a)

Answers were quite weak on the actual theory of the Lewis model. Many were unable to do more than quote the data references, and specific models have not been requested in the past so this was probably a surprise for many. Candidates had the general idea although there were very many blank responses or an inability to articulate the theory well, and those who did understand tended to score very highly.

Development models have not previously specifically tested and very few could use the specific Lewis model, even though it had been spelt out in the Advanced Information.

(a) Explain what is meant by the Lewis model. Refer to Extract D in your answer.

(5)

The Lewis model states that for there to be development within an economy, the economy must move production from primary goods such as coffee to manufacturing goods, which in this case is producing flowers. Lewis thought that because of the excess supply of labour in primary production was ~~so~~ high ~~close to zero~~, the marginal productivity of labour was zero. This meant that the marginal cost of moving from primary to manufacturing production was close to zero. In this case ~~state~~ Africa ~~of~~ ~~country~~ will stay 'poor' if they do not focus on producing more manufacturing goods such as flowers and export demand will be too low to generate savings.

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Examiner Comments

This was a clear answer using the theory, and there is use of the context of primary production switching to secondary production in Kenya.

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Examiner Tip

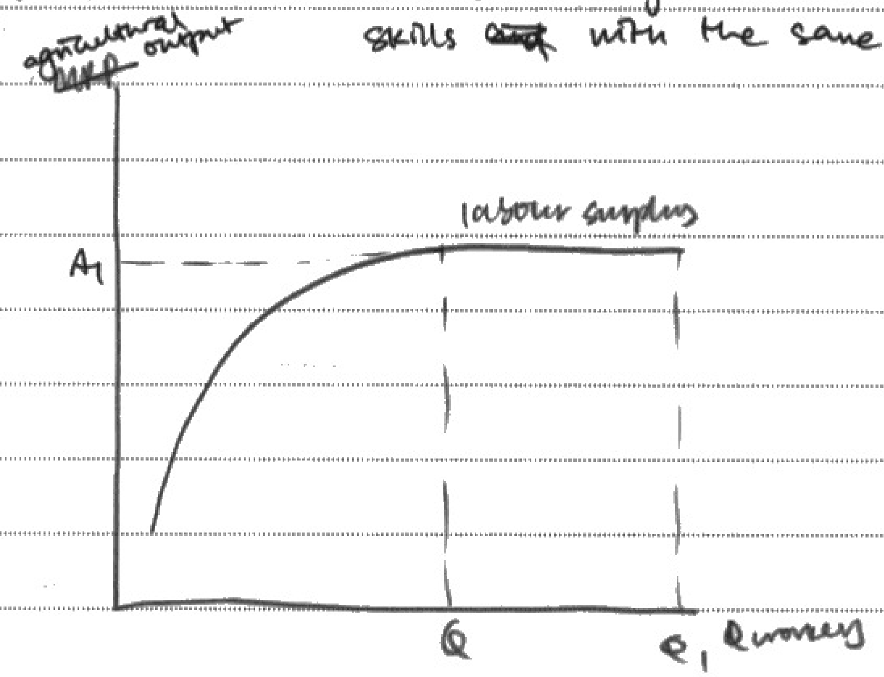
A diagram is not necessary for any development questions.

Those who knew the model wrote some excellent answers – but of those who knew the model, some did not do enough to gain 3 marks for Knowledge and Analysis as they did not understand the key point about marginal productivity in the different fields.

(a) Explain what is meant by the Lewis model. Refer to Extract D in your answer.

(5)

The Lewis model is the presumption that as ~~[illegible]~~ the agricultural sector is overloaded with workers, many have an MRP of almost or equal to 0 (since developing countries may rely on subsistence ~~[illegible]~~ farming). Thus, it argues that industrialisation may ~~[illegible]~~ ~~[illegible]~~ mean workers are transferred to industries that need them, where they are more efficient, raising wages and improving living standards without harming agriculture (as $Q \rightarrow Q_1$ are moved, ~~workers may maintain~~ agricultural output is the same at A_1). However, the manufacturing sectors suggested may not have to be industrial as Kenya Africa's flower exports mean less training due to similarity of management skills ~~[illegible]~~ with the same benefits of "well-paid jobs and greater opportunities".



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Examiner Comments

Some even tried to evaluate the model (not necessary). Diagrams can help but they are not necessary for development economics.

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Examiner Tip

Candidates must remember to always include 2 data reference points (or one combined 2-stage application process) on the 5 mark question.

Question 2 (b)

The question was easily accessible. The three points that distinguished answers were those who did not know what was meant by demographic factors, and did not deal with development but merely growth and evaluation. Good answers were often let down by lack of evaluation. The other concern was often that candidates wrote too much which clearly led to timing problems later in the paper.

- Well answered
- Most candidates were able to use the extensive range of data provided well.
- Best responses were written really concisely
- Follow correct format – Point, evidence, explain, however (twice)
- Can achieve full marks in 8 sentences
- Lots of candidates spent far too much time and wrote in far too much depth

The main problem with 8 mark **examine** questions is the lack of evaluation, as here.

(b) Examine **two** demographic factors influencing development in Kenya.

(8)

Lower birth rates and higher literacy rates will cause Kenya's population to shrink, but become more educated as education is more accessible for smaller numbers of childeren. If less childeren are born, more of the children that are born can be put through education, as a percentage. The number of children per family falling from 8.1 to 4.6 in 1978-2008 allows a higher percentage of the population to be educated and therefore employed.

ResultsPlus
Examiner Comments

This scores 2 K 1 An 1 Ap

= 4/8

Although two numbers are used, there is just one quote reproduced. There is no calculation or other working of the data, so it scores 1ap.

ResultsPlus
Examiner Tip

Use two pieces of data if possible (or do a calculation or manipulation of the data)

Remember there are two marks for evaluation. Use two simple points, or a two-step chain of reasoning for 2E.

This is a good example of how to achieve full marks.

(b) Examine **two** demographic factors influencing development in Kenya.

(8)

one demographic factor is the education and skill of the population eg numeracy skills. 'percentage of children regularly attending school is nearer 60%.' If education and skill level ~~are~~ are lowe then the population can only access lower paid jobs and there is less innovation to develop infrastructure and create jobs.

However this depends on whether the 60% who do attend become really productive in ~~$~~ creating development eg train others.

Another demographic factor is the size of the working population which is increasing in kenya. 'labour force is 57% fastest growing population group' This will have a positive influence on development as more people can help build infrastructure and innovate.

However this depends on if the labour force decides to be active as some may decide not to work for example mothers.

ResultsPlus
Examiner Comments

This is a short answer that follows the basic formula: point, explain, example, evaluation x 2

ResultsPlus
Examiner Tip

Do not spend a long time on the 8 mark questions. 8 minutes should be the maximum and a shorter time can produce full marks.

Question 2 (c)

The mark scheme was forgiving and allowed comparative advantage answers to be credited when they were not the direct line of the question. Those who understood the point about trade were sometimes confused by the emphasis on absolute advantage. Some candidates did not attempt the question at all.

- Very challenging question which many students left blank or failed to apply the concept of absolute advantage
- Many answers gave vague benefits of higher exports or greater efficiency only – this answer is not perfect but stands out as one of the best.
- Level 3 only achieved when absolute and/or comparative advantage used within the numerical or diagrammatic analysis.

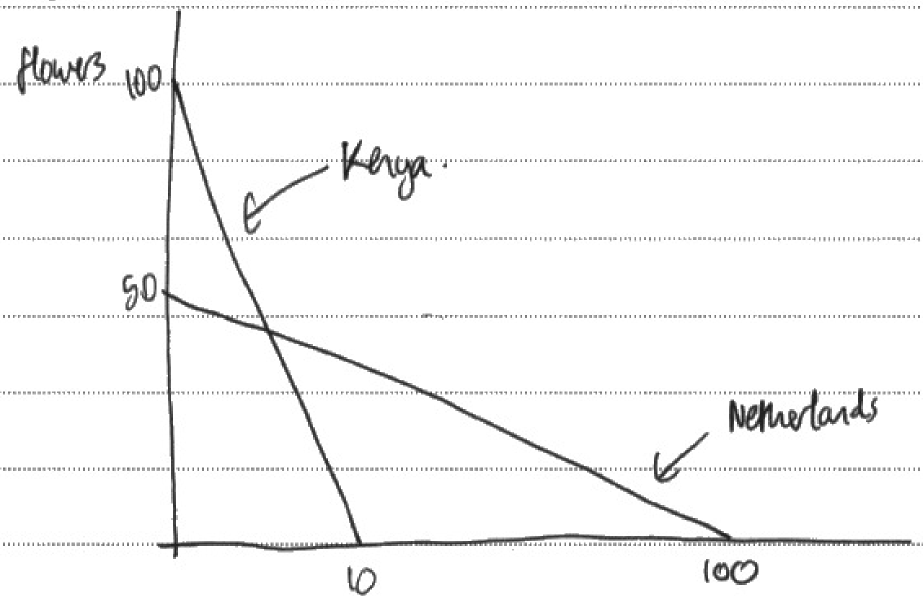
.p1: ↑X → ↑AD
.ev: ToT
.p2: ↑FDI → ↑AD / growth (↑LRAS) EU
.ev: transfer pricing (exploitation)

(c) Using the example of cut flowers (Extract F), discuss how the concept of absolute advantage may lead to growth in Kenya. Use numerical or diagrammatic analysis in your answer.

(12)

An absolute advantage is when one country can produce more than another whereas a comparative advantage means one country can produce a good with a lower opportunity cost.

PPFs



Kenya can benefit from its ~~comparative~~ absolute advantage in cut flowers via export led growth and trade. Extract F refers to Kenya's '365-day ~~-~~ year absolute advantage' in cut flower production whilst the Netherlands is better at 'machinery and transport equipment.' This absolute advantage in flowers for Kenya is likely to mean a comparative advantage in it too. ~~the~~ The economist Ricardo showed that every country can benefit ~~from~~ from specializing in its comparative advantage.

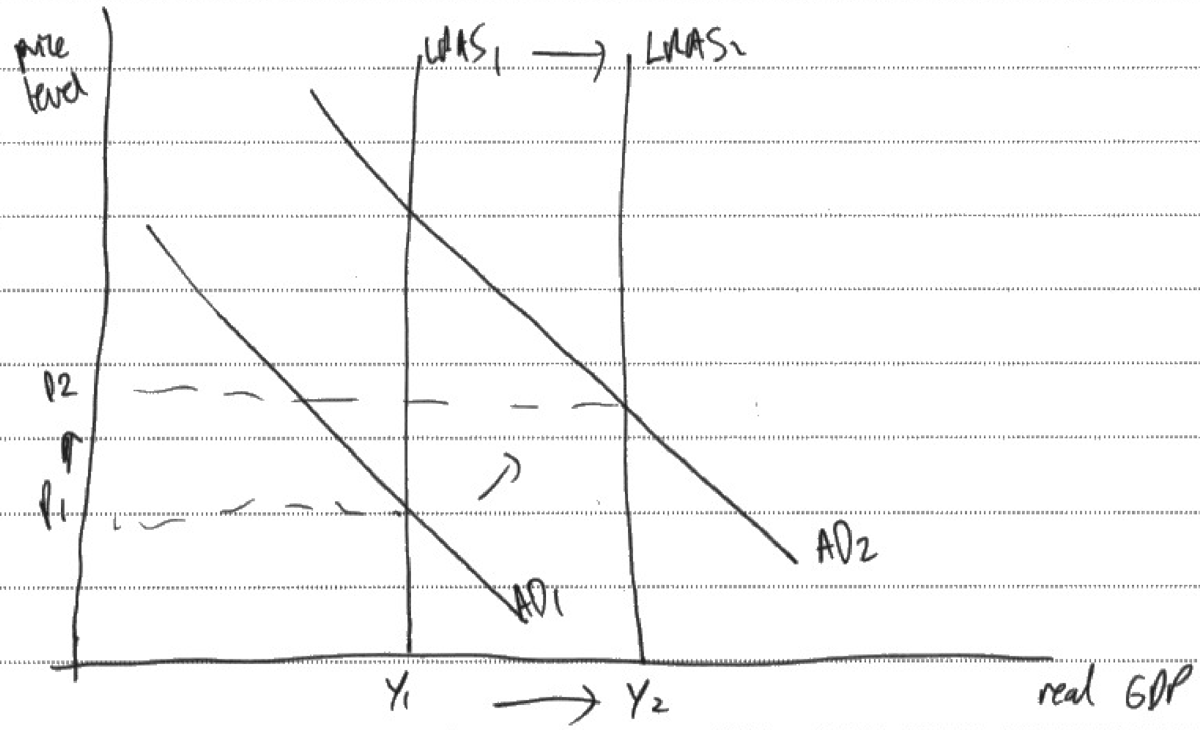
1m : 10
1m : 0·5

	Flowers	Machinery
Self Sufficient:		
Kenya	50	5
Netherlands	25	50
Specialized:		
Kenya	100	0
Netherlands	0	100
After Trade:		
Kenya	60	10
Netherlands	40	90

The terms of trade must be between the 2 ~~comparative~~ opportunity costs for the 2 countries. For example, 1 machine = 4 flowers and Kenya traded 40 flowers for 10 machines. It is clear that from self-sufficiency, Kenya has benefited from more flowers and machines after trade. This increased output is suggestive of an increase in real GDP and thus economic growth.

In evaluation, this model assumes certain things like no costs of trade, and perfect factor mobility. In reality, since the Netherlands is in the EU, it will face lower tariffs than Kenya when trading with other EU countries so this may offset the advantages of ~~a~~ ~~pure~~ free trade.

Another reason ~~could be~~ why Kenya's absolute advantage may lead to growth is because of an increase in FDI. Kenya's natural abundance in flowers and the perfect conditions for its growth may attract foreign firms, to ~~this~~ ~~FDI~~ produce in Kenya. This FDI will not only lead to an increase in AD (AD = C + I + G + (X − M) so ↑I ⇒ ↑AD) but also LRAS since these foreign firms may bring more efficient capital and practices. These outward shifts (AD1 → AD2 and LRAS1 → LRAS2) will lead to economic growth (via an increase in real GDP Y1 → Y2).



In evaluation, there may be unintended consequences. For instance, MNCs that come in may engage in transfer pricing to leave Kenya with less tax revenue and MNCs may also exploit the workers in Kenya (via too low wages for example).

ResultsPlus
Examiner Comments

The diagram and the tables perform the same task, so it is probably best to stick to the preferred method and develop the reasoning through one method.

It is encouraging to see Kenya and the Netherlands in the diagram/table.

ResultsPlus
Examiner Tip

- Candidates must remember to evaluate – there were quite a few excellent answers with no attempt at evaluation – max 8/12
- This was clearly 12/12

Question 2 (d)

This was the more popular of the essays where, overall, all students demonstrated the basic knowledge on the impact of low interest rates on AD and costs of borrowing. Only a few of them, though, managed to bring in good economics and to make their answers more relevant to the context with real life examples drawn not only from Kenya but also from other Sub-Saharan countries or BRIC economies. Some mentioned the lengthy process of the transmission mechanism.

Most candidates who answered it managed two effects.

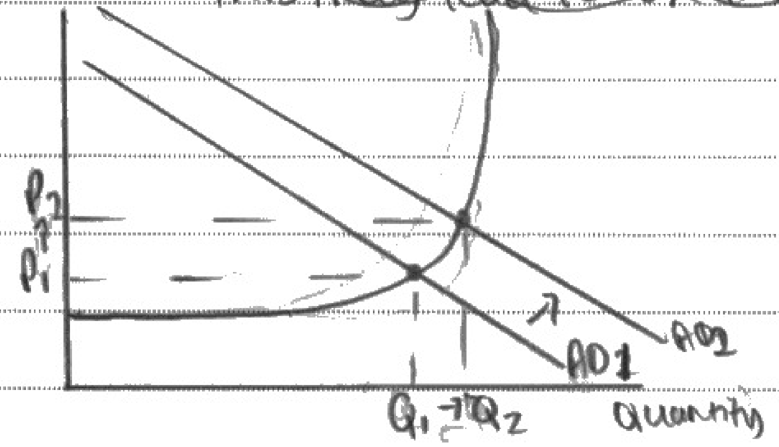
The main problem was one of timing: some were only able to put down the briefest of answers. Many candidates are selecting too many essay points – they need to use less points and to write in more depth on those specific points.

The examiners' advice: that it is better to make one point well rather than a number with brief or incorrect chains of reasoning.

- Accessible essay which most students responded well to
- More able students were able to apply a traditional interest rates questions to the LEDC e.g – use of savings gap
- Good answers used AD/AS diagrams within their macro analysis and cost/revenue diagrams within their micro analysis. This enabled them to analyse effectively and look at the wider impacts.
- Evaluation was most effective when linked to the data extract and the rates actually available in Kenya
- Accessible essay which most students responded well to
- More able students were able to apply a traditional interest rates questions to the LEDC e.g – use of savings gap

Decreasing interest rates lowers the cost of borrowing for consumers and firms and incentivises spending or investment rather than saving.

One macro effect of lower interest rates will be ~~reduced~~ increased ~~loans and~~ borrowing hence more consumption and investment. This may lead to a shift in AD as rises in the components of C+I. ~~This may lead to an increa~~



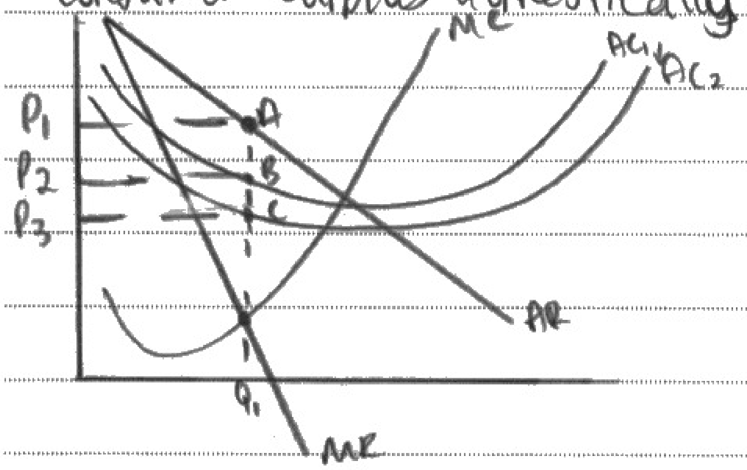
This shift in AD will lead to inflation this may also lead to rising incomes and can lead to reduced inequality as well as more subjective happiness consequently an improvement in the development of Kenya. Rises in investment may also mean more spending on capital and this will lead to more efficiency of firms, this could also lead to a shift out of LRAS leading to more employment and use of spare capacity within the economy. It will also lead to a rise in GDP per capita as productivity of firms will increase. ~~This can also aff~~ More productive firms may offer lower prices hence more international competitiveness leading to a better net trade (X-M) of flowers of tea exports as the number and total value of exports should rise, bettering the current account deficit within Kenya and leading to a bettering of the balance of payments, providing more stability within the Kenyan economy to allow it to ~~have~~ develop further in the long run.

~~However increas economic growth may not always lead to development~~

However lowering interest rates too much may lead to increased consumer confidence and spending on imports, this could offset the beneficial impacts of firms investing more and becoming more efficient. Too much spending may lead to hyperinflation where the rate of inflation is higher than the rise in rate of incomes hence reduction in the purchasing power of households reducing ~~this aim of~~

the ~~efficacy~~ impact of lowering interest rates to develop Kenya.

one microeconomic impact is the lowering of interest rates ~~to the costs~~ on the costs of variable interest rate loan repayments. As interest rates are lower the cost of repaying these loans for firms may have also reduced hence a greater gain they will have greater cash remaining compared to if interest rates were higher.
The significance of the drop from 20% to 7% on interest rates reduces costs severely for firms. This will lead to a shift down in average costs for firms, this can lead to greater supernormal profits as well as offering lower prices to increase international competitiveness as well as to increase consumer surplus domestically.



This gain will lead to more confidence within the Kenyan economy as well as more development within the industry and through rising incomes.

However the interest rates charged to consumers and businesses are not always the same as the central bank base rate, it is started that the average bank loans at 6.8% above the bank base rate which can reduce and outweigh all the positive impacts of the government lowering the interest rates. This would lead to a reduction in consumer confidence within the economy as well as greater incentive to save and may not lead to economic development.

overall the macroeconomic impacts of lowering interest rates are more influential into boosting development through higher income equality, more GDP, improving living standards as well. ~~the micro impacts~~

The microeconomic impacts are also significant by improving the efficiency of domestic firms which can better international competiveness, hence overall lowering interest rates can be very beneficial. But if higher the Harrod Domar Model can be applied where a greater savings ratio may improve long term growth hence not always may lower interest rates benefit the development.

ResultsPlus
Examiner Comments

- Good answers used AD/AS diagrams within their macro analysis and cost/revenue diagrams within their micro analysis. This enabled them to analyse effectively and look at the wider impacts.
- Evaluation was most effective when linked to the data extract and the rates actually available in Kenya

ResultsPlus
Examiner Tip

Make at least one micro and one macro point. If you have more time then develop the side you think is the weakest with another more convincing point. It is better to make fewer points really well argued than using a scattered approach with several relevant thoughts.

Many answers were pre-learned 'interest rate' essays, and having been learnt in the context of macro they could not easily switch to micro.

Decreasing interest rates in Kenya ~~he~~ helps them to achieve economic growth as it gives the population of Kenya an incentive to spend rather than to save as they do not get a very large return on their investment. This leads to the multiplier effect in the economy as consumers purchase products ~~domes~~ domestically which then goes to the business in the form of revenue, which is then passed on to the employees in the form of wages which is then spent on products domestically, then the continuous ~~circu~~ circular flow of income occurs.

Another reason why low interest rates

help kenya to grow is that it attracts foreign direct investment as they don't have a reason to save so they choose to try and make a bigger return by investing into businesses to increase production within kenya which leads to an increase in GDP and causes economic growth.

ResultsPlus
Examiner Comments

The micro approach is best reinforced using the price/output/profit/externalities points from the Themes 1 and 3 specification, and either D&S or cost and revenue diagrams should be expected. The macro side would probably include an AD AS diagram in a high scoring essay.

ResultsPlus
Examiner Tip

Use diagrams as much as you can in the microeconomics and macroeconomics Theme 3 essays.

Remember to check whether the essay is about causes or effects before you start.

Question 2 (e)

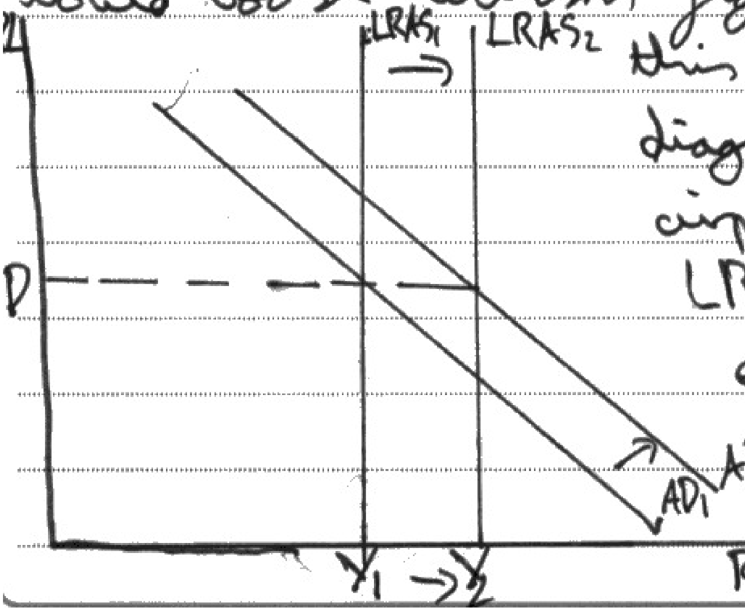
Q2e was less popular, with the large majority of students unable to make clear links between growth and development, but many candidates embedded in their answers excellent economics, theories/models (Harrod-Domar; Lewis Model from the extract; Prebisch Singer Hypthesis) and even diagrams not in the specifications such as the MEC diagram, plus a wide range of models from development economics. The weakest candidates could not go beyond corruption or time lag when evaluating (see comments at the end of this report).

Some candidates did extremely well. The key point was to choose development strategies rather than to rehearse any macro policy (e.g., monetary policy is not a development policy and could not gain high KAA marks). It was also important to deal with development rather than merely growth.

- This was a very accessible essay with a huge variety of different strategies chosen
- Students seemed well prepared for this (very typical style of question used in the past in other contexts, e.g. Mozambique)
- The best answers not only had depth to their analysis with model/diagrams, but also had good application to LEDCs (rather than simply writing about general supply-side policies)
- Again lots of candidates writing too many points in insufficient depth.
- Many candidates ran out of time on the last essay

This is Level 4 L3E L4 L3E with a solid structure. It is not too long but instead focused and applied throughout.

Promoting tourism in Kenya will result in higher rates of economic growth and ~~Kenya~~ development. Kenya has high scope for being a destination for international tourists as a result of its impressive nature, as well as Mount Kenya. Tourism could be promoted by expanding the country's infrastructure e.g. upgrading its airport. This would make the country more internationally accessible and would boost tourism figures. The effect of

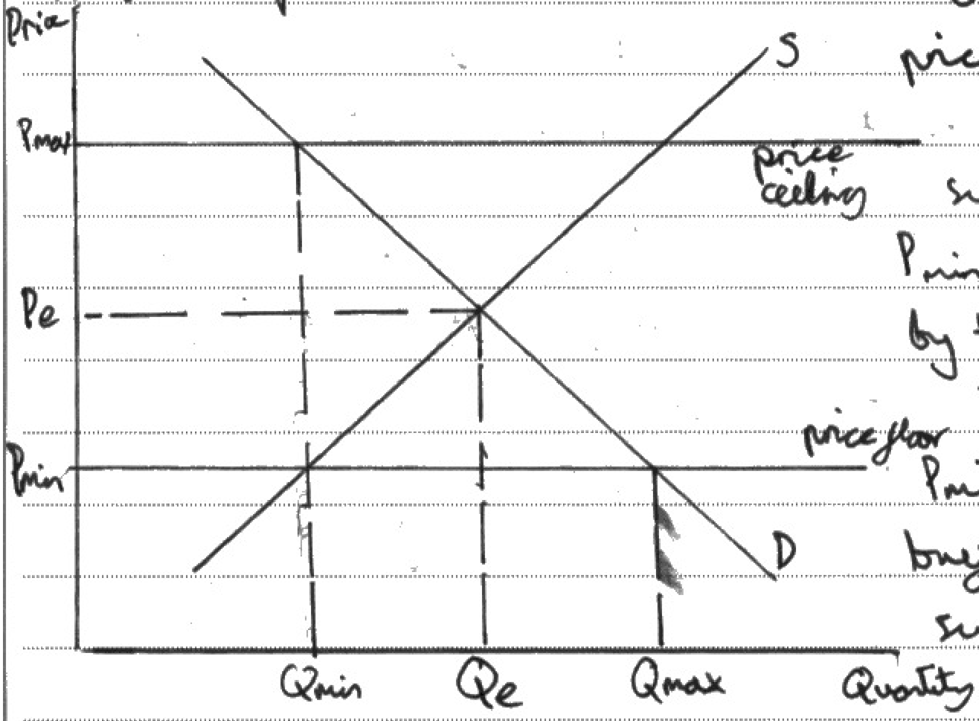


this is shown on the diagram; expansion of the airport would increase LRAS1 to LRAS2 as ease of doing business improves and unit costs fall as

Transport infrastructure improves. The government spending will also cause AD, to shift outwards to AD₂, which will be exacerbated by local multiplier effects. This results in higher incomes (Y₁ to Y₂) without inflationary pressure. This results in economic growth for Kenya via the ~~x~~ promotion of tourism. Furthermore, TNCs such as Hilton will be attracted by the greater tourist figures, thus increasing employment and tax revenue through both income and corporation tax.

However, ~~these~~ tourism and holidays are highly income elastic; this means that negative economic shocks in the countries will significantly impact Kenya's economy as their export (tourism) volumes fall. Moreover, the attracted TNCs may ~~simply~~ repatriate profits rather than re-invest into the local economy, thus increasing withdrawals from the circular flow of income, reducing AD and thus incomes and harming development as fewer are lifted out of poverty.

Another strategy which could be used in Kenya is buffer stock schemes. Due to Kenya's dependence on exporting primary agricultural products such as flowers, they are very exposed to the ~~volatile~~ effects of volatile commodity prices. Volatile prices can vastly reduce incomes ~~fo~~ and export volumes in years of low prices as well as deterring investment due to complications with planning output, as a result of the prices. This is a major constraint on development as investment in capital is essential for improving an economy's productivity. A buffer stock scheme ensures that prices remain stable in the economy by the government creating artificial price floors and ceilings which the price cannot surpass. This is shown on the diagram; the price is not allowed to surpass Pmin and Pmax by the government. If it reaches Pmin, the government buys up excess supply e.g. of flowers, and if it reaches Pmax, the government releases its store of flowers to lower the price via the work of the market mechanism. A more stable price will incentivise investment by firms, ~~increasing~~ improving the capital-output ratio, and thus



according to the Harrod - Domar model, cause economic growth, as the savings ratio is being divided by a smaller number. Higher rates of economic growth results in higher incomes, standard of living and helps people escape absolute poverty in Kenya. Thus buffer-stock schemes promote development.

However this requires the government to hold large stores of flowers, which it can use to flood the market in times of high prices. This is not only costly to the government as they must pay for the flowers as well as storage, but also may not work as flowers wilt quickly. Moreover, buffer stock schemes disrupt natural points of equilibrium within the market, thus the presence of a minimum price creates little incentive for producers to invest in improving quality.

ResultsPlus
Examiner Comments

Diagrams and data are used to good effect.

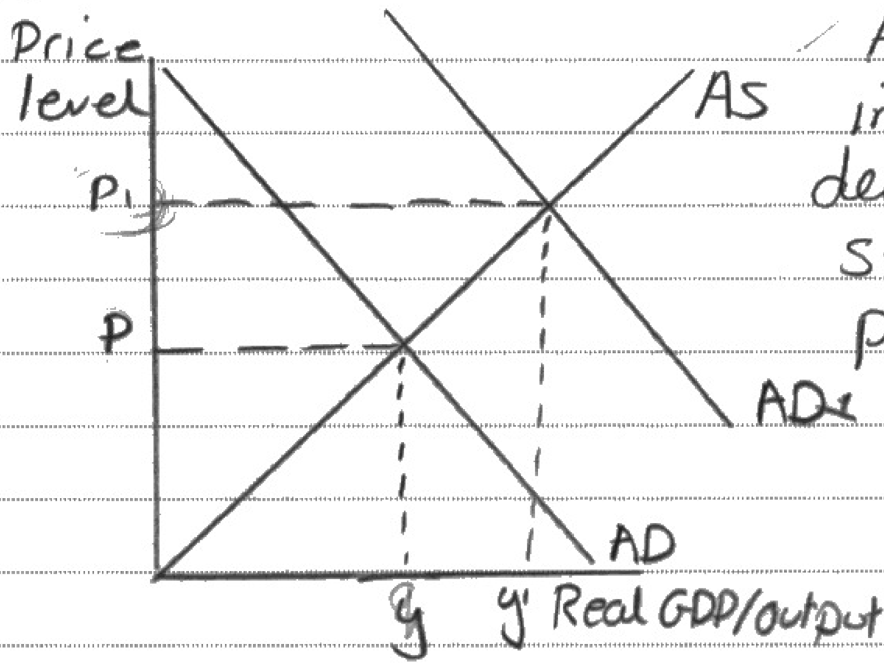
ResultsPlus
Examiner Tip

Remember to give an overall judgement.

The main problem with this essay was pre-learned essays that were unrelated to **developing** countries (or one country). Strategies tend to be generic and AD AS diagrams or demand side policies were included which are not relevant in the context.

One strategy that could be used to promote development in Kenya is trade liberalisation, which is an example of a market - Orientated strategy. Trade liberalisation is essentially the removal of trade barriers which would encourage trade. If the strategy proves to be effective and trade increases then Kenya's revenue could potentially increase and they could spend this money on another area of the economy, for example on education. If more money was spent on education then individuals could train and gain the skills needed for the higher earning jobs. However, Kenya could be dependant on supplies being imported from another country which could result in debt. Spending on education would see an increase in the demand for labour, however it would take time to see a difference as spending on education is a long run solution.

Another Strategy that could be used is promotion of FDI, foreign direct investment. This is when a country invests in another country. If FDI were to take place, it would create job opportunities for people in Kenya. And if more people are earning money then Consumption is going to rise, which would lead to an increase in AD.



An increase in Aggregate demand would see higher prices for consumers.

However through FDI a country could show its dominance and exploit workers in Kenya with wages lower than the national minimum wage.

Promotion of Tourism is another strategy that could be used to promote growth in Kenya. An increase in the promotion of tourism within Kenya would see more people coming over to the country and spending money within the economy and on local businesses. However an increase in tourism in Kenya would see an increased negative externality as the rise in air travel would see more air pollution

ResultsPlus
Examiner Comments

9 + 4E

There are three points made, none which get above L3:

Trade liberalisation L3 – E2-

FDI L3 – LE1

Tourism L2 L2E-

There is no overall judgement.

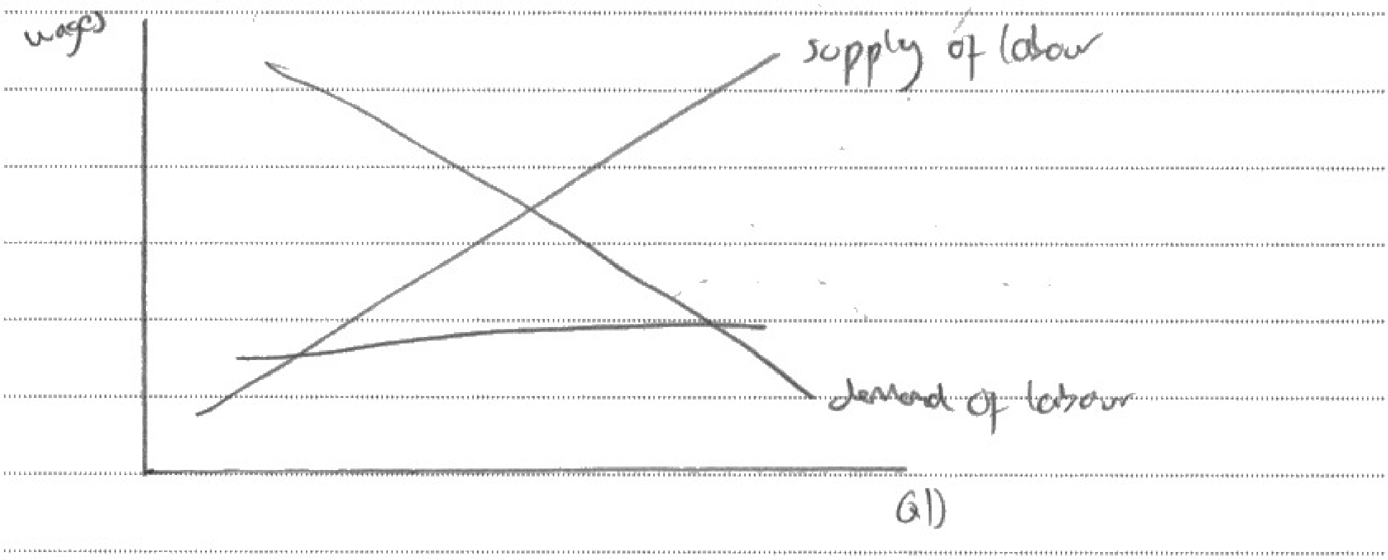
ResultsPlus
Examiner Tip

It is better to make two points which are clearly **development strategies** and not just a continuation of developed countries' macroeconomics.

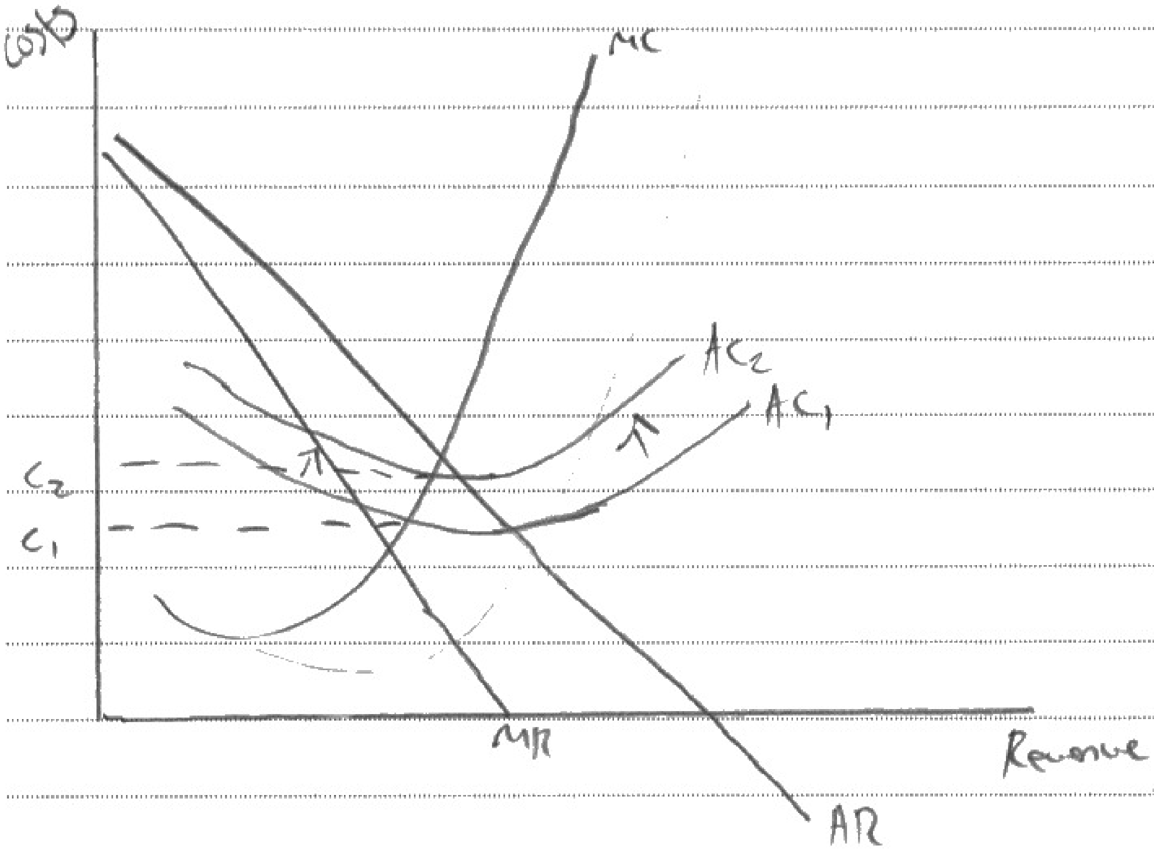
9EC0_03_Sec01

A reminder to centres that it does not benefit candidates to have stock essay answers as they miss the higher marks by not using the context to guide their analysis and evaluation. It is helpful if the candidate marks the box for the essay chosen (1d or 1e) but if they do not (around 10%) then they are marked in a pool where the examiner has to decide which question has been attempted. The answer usually becomes clear very quickly when candidates put signals in their work and make it clear from the outset that they understand the question.

By contrast, this answer started out with a diagram which could not have an effect as a minimum wage as the horizontal line is below the equilibrium.

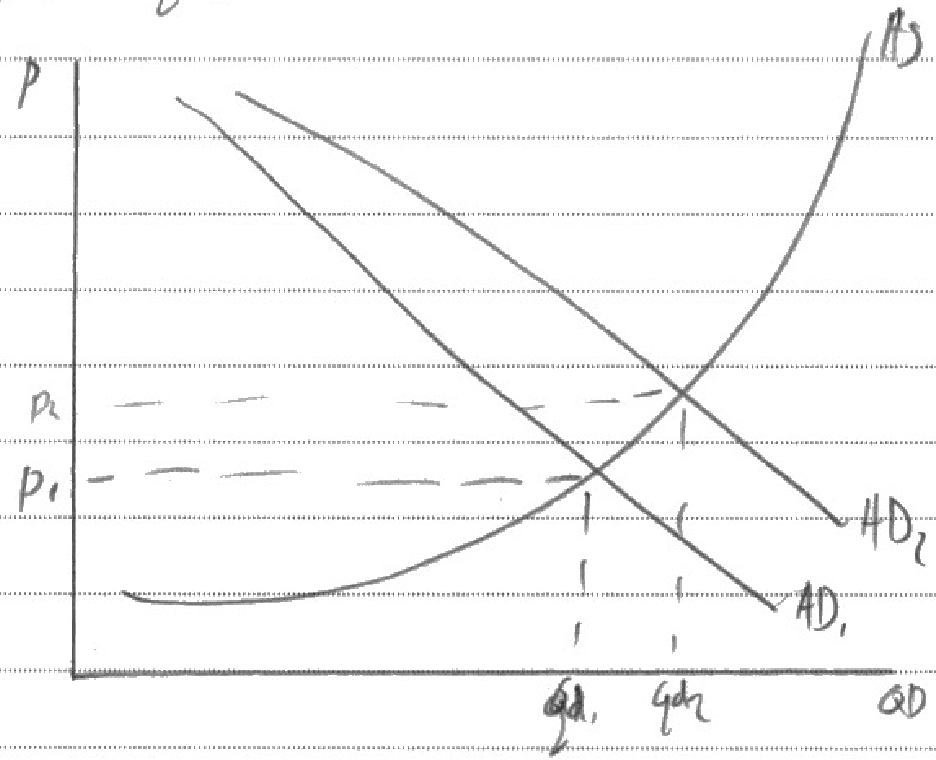


Minimum wage is the lowest amount you can pay someone for working. A significant increase in minimum wage in the restaurants or other food delivery services would overall increase there costs.



The diagram above demonstrates how average cost will increase from AC_1 to AC_2, overall increasing there costs to run a restaurant from C_1 to C_2. This may means restaurants may try to reduce staff to balance the rise in minimum wage. This can the create ~~a~~ an increase in unemployment levels as waiters and chefs now dont have jobs.

Alternatively, a positive consequence of an increase of minimum wage is that AD will increase due to an increase in consumption. Having a higher wage results in workers having a higher disposable income. It allows workers to buy more luxury goods and will increase the demand for them from qd1 to qd2.



This then also allow businesses to sell their products and services at higher price overall pushing for ~~the~~ demand pull inflation.

![ResultsPlus Examiner Comments]

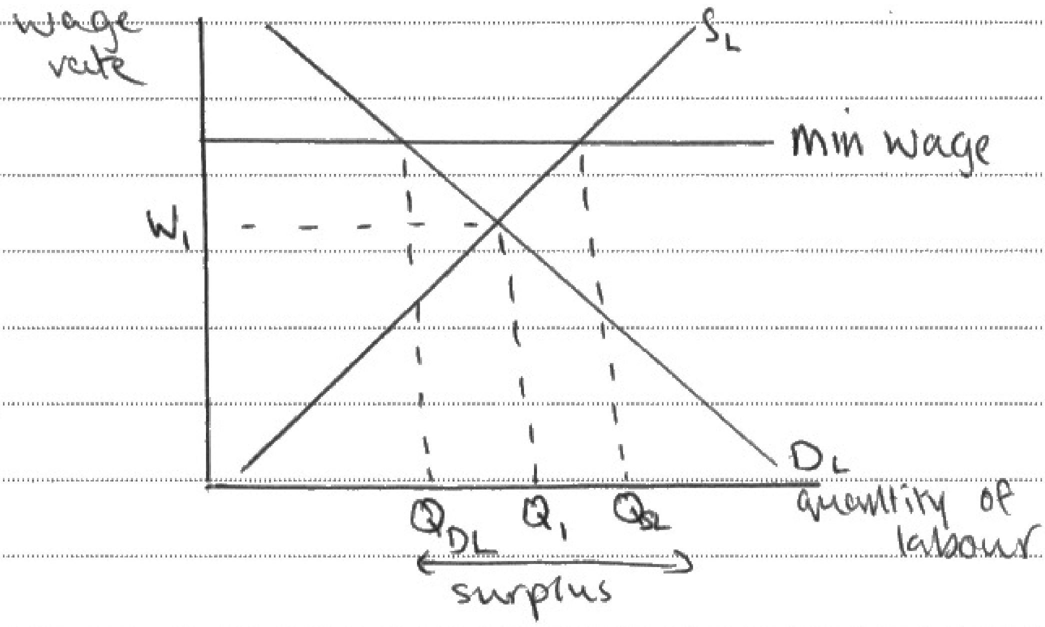
ResultsPlus Examiner Comments

Chains of reasoning do not go beyond the two step variety and is Level 2. The points are fair but there is minimal use of data or other context. There is no evaluation.

ResultsPlus Examiner Tip

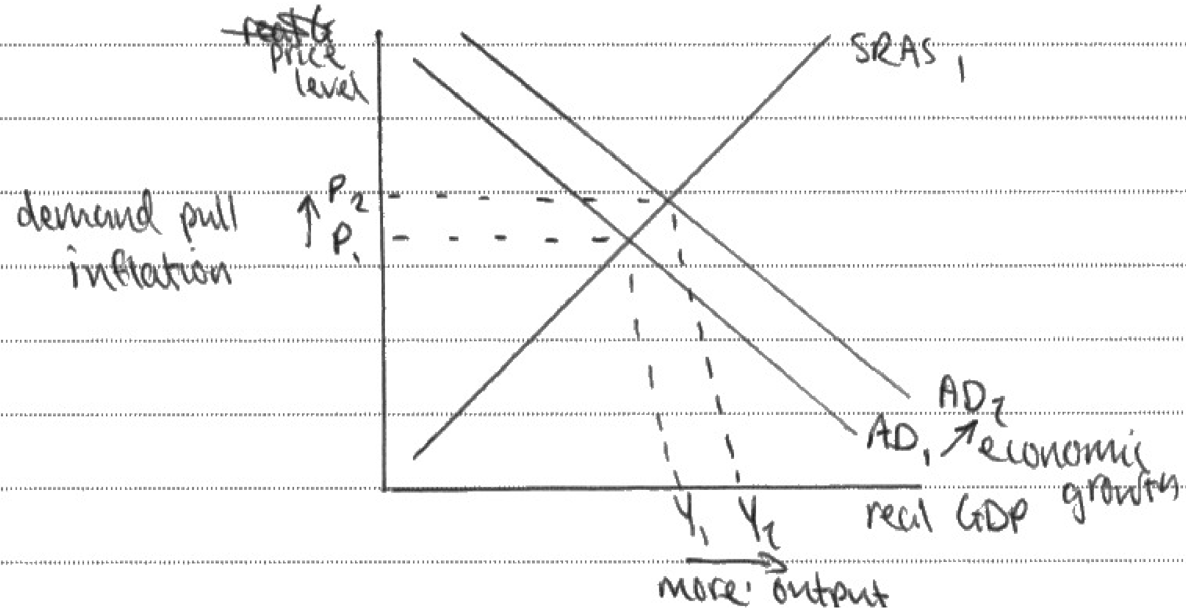
Do not reproduce pre-learned essays. Make sure the answer is fully embedded in the context. Then evaluate both the micro and macro side – at least one good argument on each side.

This was the modal score for the item.



A minimum wage is a wage set above the labour market equilibrium by the government, in order to encourage firms to give their workers fairer wages.
One microeconomic effect is that there will be a labour surplus within the market for delivery drivers. For example, the delivery drivers at Deliveroo who were earning as little as £1 an hour, would

now be receiving a much higher wage for their labour. This would incentivise people to work more in order to earn more money. However, a minimum wage would increase the costs for the food delivery business (i.e. Deliveroo). This means that they would be demand less labour as their abnormal profits are negatively affected. As the demand for labour is much greater than the supply of labour, there will be a surplus of labour within the market, which is represented on the diagram by the difference between QDL (demand) and QSL (supply). However, this outcome is dependent on the proportion of total costs that belong to wages. If the proportion of total cost represented by wages is low, a minimum wage increase would have a less significant impact on the demand for labour; if the opposite is the case, demand for labour would be even lower, thus causing a greater surplus within the market.



One macroeconomic effect of a rise in the minimum wage is that there will be an increase in growth and development. For example, the average spend on delivered food is 5 times more expensive than cooking at ~~...~~ home. As minimum wage increases, people will have more disposable incomes, meaning that they are able to consume a larger volume of delivered food. Due to this, there would be an increase in the economy's aggregate demand (represented by a shift from AD_1 to AD_2), which leads to economic growth. Furthermore, as disposable incomes rise, people would have greater access to more luxurious restaurants i.e. Nobu, Hakkasan etc. This means that people will gain access to greater quality food, which boosts living standards, which helps to develop the economy. However, this would lead to demand pull inflation. As people consume more, firms would need to raise prices in order to prevent product shortages (and increase their profits). Therefore, people would not be able to consume as much.

Overall, an increased minimum wage can have positive macro effects i.e. increased growth and development, but it negatively impact the micro environment such as labour surpluses within the food delivery market.

ResultsPlus
Examiner Comments

The diagram shows a NMW not a rise in NMW. The chains of reasoning are short.

ResultsPlus
Examiner Tip

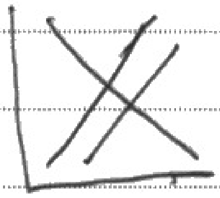
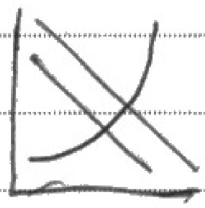
Strong answers go into at least two points at a deep level, using extended chains of reasoning, tying in the data, and drawing out balanced conclusions with an overall judgement.

9EC0_03_Sec02

The majority of candidates ran short of time on the essay and the advice to candidates is to reserve 30 minutes for the final essay, and to use at least one micro and one macro point, diagrams where possible and all the data that links to the points made. Evaluation is key and we need to see developed and applied chains of reasoning within the evaluation.

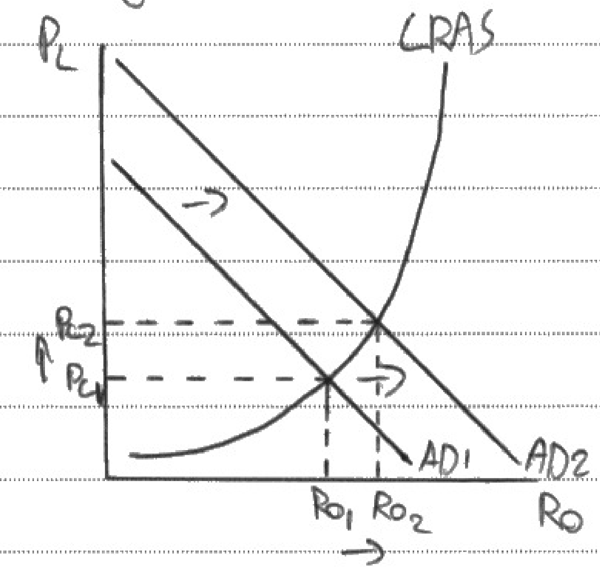
This answer is typical of a pre-learned essay, and it is not focused on development economics.

Plan:

	micro	macro
kn	more growth in businesses	↑ investment ↑ spending
app		
an	increase in supply business growth	↑ multiplier ↑AD ect
ev	how much of a decrease?	confidence?

Decreasing intrest rates in Kenya would mean that ~~for~~ those ~~ad~~ who want to borrow would be paying the money back at a lower rate. Currently, the intrest rates are 22% so many people don't want to borrow.

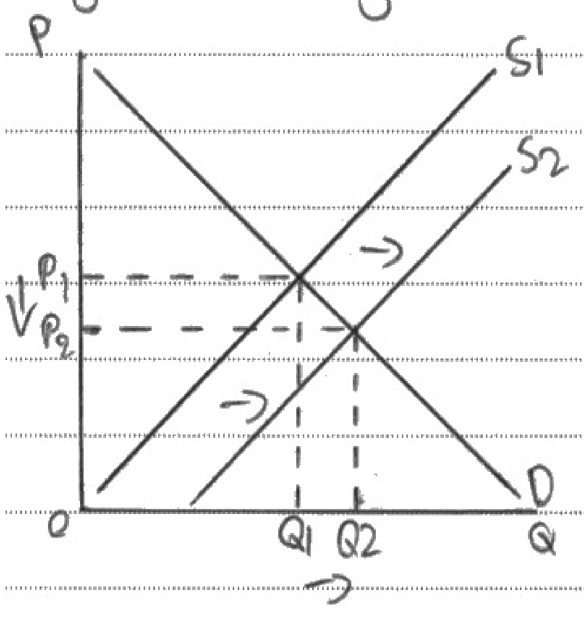
One effect of decreasing intrest rates would be an increase in investment from businesses. An increase in investment would mean that business would be able to borrow to invest in more capital goods to allow them to grow



The diagram shows that the increase in investment would result in an increase in aggregate demand from AD1 to AD2. ~~as~~ This would also ~~be~~ ~~as a~~ result ~~of~~ in an increase in price level from PL1 to PL2 showing inflation has occured because of the investment on capital goods. On top of this, real output would increase from Ro1 to Ro2 which shows economic

growth ocurred. This means that the intrest rates ~~~~ ~~~~ being lowered would result in development of the economy.
However, this may not happen if there is no confidence. If firms have no confidence, they will not invest because they are unsure if it will benefit them. In a developing country such as Kenya, there is lower confidence because it is more at risk of factors such a price volatility which can affect a businesses output.

Another effect lowering intrest rates may have is more growth in smaller businesses. Small businesses such as Robert Matsiko will be more willing to borrow ~~~~ ~~~~ in order to grow their business ~~~~ as ~~they~~ he may then be able to employ more labour for his ~~growth~~ grain milling business.



The increase in supply as a result of his business growing would mean that the quantity would shift from Q1 to Q2 as there are more people producing in his firm. Prices would decrease from P1 to P_2 because having extra labour would mean the cost of grain milling would be lower ~~due~~ from being able to do more in a shorter period of time. However, this might not happen ~~is~~ depending on how much of a decrease in interest rates takes place. If the decrease only goes from 22% to 20%, many people will still not borrow as they will still see the risk as too high.

ResultsPlus
Examiner Comments

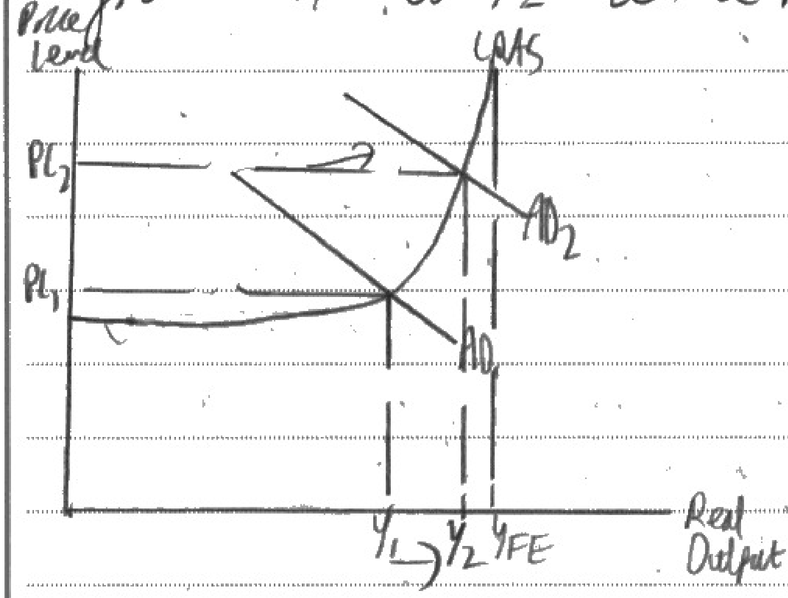
The points are generic and simply pre-learned. There is a hint of L3 evaluation at times but the body of the essay is at L2 for KAA.

ResultsPlus
Examiner Tip

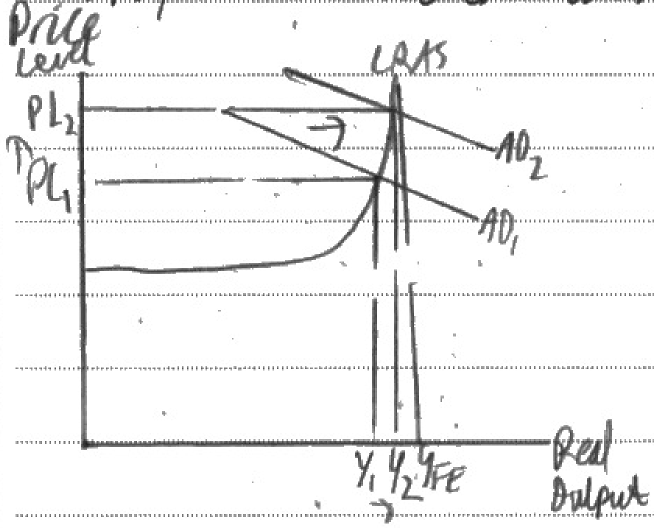
Use the context to inform the choice of strategies. This is a development question and it is **data response.**

This essay is high quality in terms of analysis and application, and there is a solid judgement.

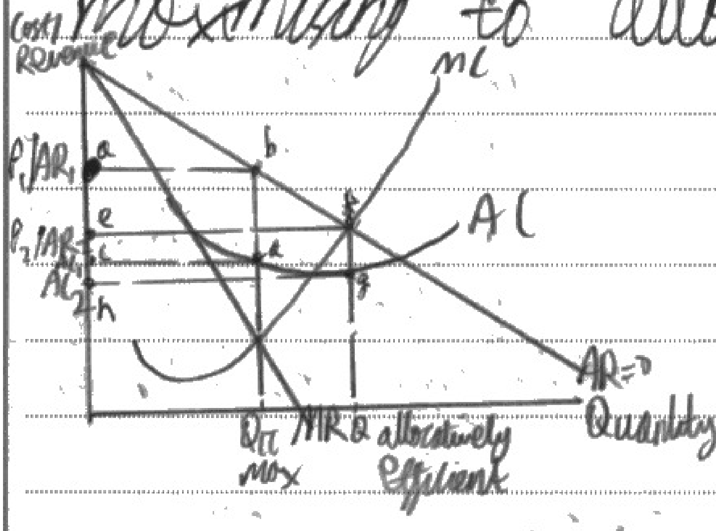
One macroeconomic effect of a decrease in interest rates ~~is~~ for Kenya is that economic growth increases. According to extract E, Kenya ~~[illegible]~~ is urbanising at a rate of 2.8% and growing, so by cutting interest rates, the ~~[illegible]~~ cost of borrowing decreases and the return on savings decreases as well, leading to ~~[illegible]~~ consumption of loanable funds to increase as it costs consumers and firms less to borrow from them. This results in the rate of consumption within Kenya to increase at a rapid rate, leading to aggregate demand increasing from AD_1 to AD_2, causing output to increase from Y_1 to Y_2 as a result, reducing the negative output gap from Y_{FE}, causing economic growth.



However, it depends on where the level of aggregate demand is ~~at that time~~, as should ~~AD~~ ~~aggreg~~ AD be at AD_1 ~~a~~ rather than AD_2 then little output change is achieved but price rises far higher from PL_1 to PL_2, causing an undesirable increase in inflation, reducing growth in Kenya.



One ~~microeco~~ microeconomic effect of an ~~inc~~ decrease in interest rates is that the level of competition within the market increases. According to extract E, Kenya has an educated workforce which typically leads to ~~lowe~~ low barriers of entry. With a fall in interest rates, small ~~firms~~ upcoming firms are able to afford to borrow loans from banks as the cost of borrowing is so low, causing the level of new entrants to enter the market to increase as ~~as a result of this~~ the level of start up costs have lowered causing the barriers to entry to fall even further than they were, this leads to firms within the industry to be forced to change from being profit maximising to allocatively efficient,



~~[illegible]~~ forcing prices down from P_1 to P_2 and causing output to increase, increasing consumer benefit as a result.

However, this could lead to Kenyan companies that are already operating in the market to limit price, dropping their prices to ~~a low~~ such a low point that other firms can't compete in the industry like the flower cuts industry, ~~Kev~~ decreasing consumer benefit.

The effect of ~~an~~ ~~of~~ a decrease in interest rates is that it will encourage growth within Kenya and consumers will benefit from it. In the long-run it could lead to an undesirable rate of inflation but ~~the~~ the government will have enough time to introduce policies to prevent that from occuring. The Kenyan government can also subsidise ~~firms~~ smaller firms to prevent limit pricing reducing competition.

ResultsPlus
Examiner Comments

The answer uses the language of economics in the context of the data given.

ResultsPlus
Examiner Tip

Make sure your handwriting is legible. It is good to have such clear diagrams too.

Paper Summary

Overall candidates had poor literacy skills. This is, perhaps, the legacy of Covid that a two-tier student body had developed with some churning out answers full of cogent arguments and robust analysis and others who struggled to articulate their reasoning. Economic terminology was relatively weak compared to pre-pandemic years. Handwriting seems to have more hard to decipher than ever.

All items were fair and accessible and differentiated well. The case studies were relevant and simulating to students.

Examiners have remarked on problems with candidates offering too much generic economic theory. Some centres are ignoring the advice to make the subject more applied and look at the real world. Those candidates who have looked at case study material are clearly so much more engaged and their answers are so much more interesting.

A serious concern was raised regarding the Kenya question: we are much more sensitive to the colonial legacy – both as teachers and as institutions. Curricula are in the spotlight as never before and Economics has to be aware as much as English or History do. Blanket statements and stereotypes that describe African Governments as corrupt must be avoided. We perhaps need to remind ourselves that the colonial legacy is a constraint to development in itself. If students want to discuss corruption as a problem, then be specific-based on independent research on real examples over the course of the two years of study. Kenya, in this case, is mid-table on corruption tables, and governance cannot be generalised by continent.

In future the candidates taking this exam should address the following issues:

- use the data in every question. This is a data response paper.
- use a diagram in the longer questions if you can, even if it is not requested. For example, the essay question on government spending on public goods, or the essay question on electric cars, could have positive externalities in consumption, even if not required.
- Timing: allow a minute per mark, and this gives 20 minutes reading or correction time. You can achieve all the marks in this time, and you do not need to fill all the space available.
- question spotting does not help. Candidates who think they know how to answer a certain type of question tend to give generic responses and do not read the data available
- explain every step in your chain of reasoning, and have multiple steps

Grade boundaries

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

https://qualifications.pearson.com/en/support/support-topics/results-certification/grade-boundaries.html

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