ECONOMICS

Paper 9708/11
AS Level Multiple Choice

Question Number	Key
1	C
2	B
3	D
4	D
5	B
6	B
7	B
8	A
9	D
10	D

Question Number	Key
11	C
12	D
13	D
14	D
15	C
16	B
17	C
18	A
19	C
20	D

Question Number	Key
21	B
22	B
23	B
24	A
25	B
26	C
27	B
28	C
29	B
30	D

General comments

The general standard of answers on this paper was improved on that seen in November 2024.The marks awarded ranged from 3 to 30. The distribution of marks was near normal with a mean of 18.4 and standard deviation of 5.1.

Almost 70 per cent of candidates answered more than half of the questions correctly. Of these, one in ten scored 25 or more marks.

Questions 4, **6**, **12** and **19** were correctly answered by over 80 per cent of candidates. Just two questions, **2** and **9** were correctly answered by less than 30 per cent of candidates.

Candidate performance on the macroeconomic questions (**16** to **30**) was weaker than on the earlier microeconomic questions. **Questions 15**, **21** and **27** produced responses where the percentage of correct answers was less than the percentage of answers as the most popular choice of option.

Comments on specific questions

Question 2

The Gini coefficient is a numerical measure of the extent of income inequality in an economy. A coefficient of 0.7 is indicative of a less equal distribution of income than a coefficient of 0.4. Consequently, a mixed economy is more likely than a market economy to provide public goods and possibly merit goods to reduce income inequality. So, a Gini coefficient of 0.7 is indicative of when **change** is likely to achieve the largest improvement in resource allocation. In the case of demerit goods, many are likely to be produced in a market economy in the absence of government control over what is produced. This means that option **B** is the correct response. This option was selected by just 27 per cent of candidates. Option **C** was the most popular choice. This evaluation question required careful reading to understand its key focus.

Question 9

This question was correctly answered by 1 in 4 candidates, with an almost equal spread of responses across all four options. It was a demanding question. A relevant starting point is to recognise that for each change in price, the quantity produced was 8000 units. In other words, no change in quantity as the price changed downwards or upwards. This is indicative of a price elasticity of supply of zero as it is not possible for the producer to decrease or increase supply. The supply curve is therefore vertical line, which is option **D**. Option **C** was the most popular choice; a calculation of price elasticity of supply gives an answer of zero and not 1 as given in option **C**.

ECONOMICS

Paper 9708/12
AS Level Multiple Choice

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

General comments

The overall performance was very good, an improvement on November 2024. The marks awarded ranged from 3 to 30. The distribution was slightly negative skewed with a mean mark of 20.1 and a standard deviation of 4.9. Over 80 per cent of candidates answered more than half of the questions correctly. There was no noticeable difference in the quality of responses to microeconomic questions and those on macroeconomics.

Ten questions were correctly answered by over 80 per cent of candidates. These were **Questions 2**, **3**, **5**, **6**, **7**, **19**, **20**, **21**, **24** and **29**. Just three questions, **11**, **25** and **28** were correctly answered by less than 40 per cent of candidates.

Comments on specific questions

Question 11

An interesting contextual question where it was essential to differentiate between electric **vehicles** and electric vehicle **batteries.** The subsidy on electric vehicle sales reduces their price and will increase the quantity demanded. This will increase demand of electric vehicle batteries and is likely to lead to increase in their sales and price. This combination makes **D** the correct response. 40 per cent of candidates answered correctly. Over 50 per cent of candidates gave option **B** as the answer. This would have been correct if the question had specified electric vehicle sales and not electric vehicle batteries.

Question 25

This evaluation question produced the least percentage of correct answers. It should have been clear that options **A** and **D** are well-recognised consequences of economic growth. The choice was therefore between options **B** and **C**. The question referred to ‘rapid’ economic growth-this is likely to have seen a significant increase in the import of goods and services, leading to a large deficit on the current account of the balance of payments (option **B**). Option **C** is therefore least likely. This is because rapid economic growth is likely to generate additional revenue for the government from taxing individuals and firms who are benefitting from rapid economic growth. In turn these funds could be used to enhance growth. The deficit in the budget balance is likely to be reduced or may even become a surplus.

Question 28

The correct answer to this question is option **A** as recorded by around one third of candidates. Incorrect responses were evenly spread across the other three options. A depreciation of the UK pound will reduce the relative price of UK exports compared to the prices of trading competitors. An increase in the value of exports increase aggregate demand, generating an upward shift to the right in AD_1. At the same time, it can be expected that the productive capacity of the economy will decrease due to the effects of the depreciation. AS_1 shifts to the left. The combined shifts move the UK economy from point X to point A.

ECONOMICS

Paper 9708/13
AS Level Multiple Choice

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

General comments

The overall performance was very good with over 70 per cent of candidates scoring 20 or more marks. The mean mark was 21.5 with a standard deviation of 4.9. The distribution of marks was negatively skewed, ranging from 3 to 30.

Twelve questions (**1**, **2**, **4**, **6**, **7**, **10**, **11**, **14**, **16**, **21**, **23** and **28**) were correctly answered by over 80 per cent of candidates. **Questions 19**, **27** and **30** were correctly answered by less than 40 per cent of candidates.

Comments on specific questions

Question 19

In the circular flow of income model, imports are a recognised leakage and government spending is an injection. As the stem indicates, initially, both are equal. The initial increase in government spending on planes and weapons will be followed by further injections into the circular flow through payments made to domestic factors of production such as labour. Any change in leakages will be recorded in the circular flow of income of the country receiving the payment for making and exporting planes and weapons. Option **A** is the correct response. Over 50 per cent of candidates incorrectly chose Option **C**.

Question 27

Responses to this question were spread almost equally between options. Primary income in the current account of the balance of payments includes income in the form of profits, rent, interest and dividends earned on investment abroad and foreign earnings on investment in a country. Understanding the first part of this definition gives Option **C** as the correct response.

Question 30

The correct answer, Option **A**, was chosen by slightly more candidates than Options **B** and **D**. It had the lowest percentage of correct answers of any question. The key to selecting the correct response was to recognise that when the world supply of oil is reduced, the price of oil will increase. Country X's terms of trade (index of export prices / index of import prices) will also increase. As demand for oil is price inelastic, Country X's revenue from oil exports will increase. So, both variables will increase, making **A** the correct option.

ECONOMICS

Paper 9708/14
AS Level Multiple Choice

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

General comments

The overall performance was excellent with 76 per cent of candidates scoring a mark of 20 or more. The mean mark was 22.5 with a standard deviation of 5.2. The distribution was negatively skewed, marks ranging from 3 to 30, a top mark recorded by 53 candidates. Performance on the microeconomic questions was marginally better than on macroeconomic questions.

Ten questions (**1**, **2**, **3**, **6**, **11**, **15**, **20**, **23**, **24** and **29**) were correctly answered by 85 per cent of candidates. **Questions 4** and **14** were correctly answered by less than 40 per cent of candidates.

Comments on specific questions

Question 4

This question produced most responses to Option **B**; one in four candidates also gave Option **C** as their answer. Both were not correct. The wording of the question states that the growth rate **is forecast to decline over the next ten years to 5 per cent** but as this is still positive, the productive capacity of the economy will continue to grow. This leads to a shift outwards of the production possibility curve to point **D**, making Option **D** the correct response.

Candidates selecting Option **B** did so presumably thinking that the growth rate was forecast to become negative, in which case the production possibility curve will shift downwards. A similar but wrong deduction was likely to have been made by those candidates selecting Option **C**.

Question 14

This evaluation question had the least number of correct responses. All four options are **likely** outcomes of a minimum wage policy. Option **D** is a widely recognised consequence when a minimum wage is introduced. Increased unemployment will likely increase and not reduce income inequality. Option **A** might reduce income inequality although this seems highly unlikely as it depends on higher paid workers voluntarily maintaining pay differentials. With Option **B**, if labour mobility is low, workers are unlikely to move to jobs that pay a minimum wage. There is likely to be little change in income inequality. This leaves Option **C** as being the **most likely** to reduce income inequality. The rationale is that a small informal economy will provide few opportunities for workers to increase their pay, forcing them to take work that pays a minimum wage which is most likely to help reduce income inequality.

ECONOMICS

Paper 9708/21
AS Level Data Response and Essays

Key messages

- Candidates need to ensure they focus on the particular 'command' or 'directive' word that is being used in a question, such as **'assess'**, '**consider**', **'describe'** or '**explain**'.
- It is important candidates understand that in some questions, a certain number of marks can be awarded for '**evaluation**'. These were **Questions 1(c)**, **1(d)**, **1(e)** and all questions in ***Sections B*** and ***C***. There is often a clue in the question to guide candidates towards this, such as in **Question 1(c)** which required candidates to consider the extent to which direct provision of electricity in Mexico through state-owned companies may be advantageous to consumers, or in **Question 3(a)** which required candidates to explain, with the help of examples, the nature and characteristics of free goods and private goods (economic goods) and consider the significance of the distinction between these two types of good, or in **Question 5(b)** which required candidates to assess whether all consumers, all producers and the government in a country will benefit equally from protectionism.
- Candidates need to ensure that diagrams are correctly drawn and clearly labelled. There were a number of examples of poor labelling and, in some cases, no labelling at all. In addition to the question which explicitly required a diagram to be drawn (**Question 1(d)**, there were a number of questions where diagrams could have been used to good effect to support an answer, such as **Question 2(b)** and **Question 5(a)**.
- It is important that candidates read the questions very carefully to avoid making an error in their answer. For example, in **Question 1 (c)**, some candidates considered the possible advantages of the direct provision of electricity in Mexico through state-owned companies rather than focusing specifically on the advantages to consumers, while in **Question 3 (b)**, some candidates wrote about merit goods and demerit goods rather than about merit goods and public goods.

General comments

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

It is also important that candidates focus on whether there is any additional guidance provided in a particular question, such as in **Question 2 (a)**, where candidates were required to explain, with the help of a formula, what was meant by price elasticity of demand for a product and to consider the importance of time in determining whether demand for the product **was likely to be** relatively price elastic or relatively price inelastic, or in **Question 5(b)**, where candidates were required to assess whether **all** consumers, **all** producers and the government in a country would benefit **equally** from protectionism.

Comments on specific questions

Section A

Question 1

(a) Many candidates were able to explain, using the information provided, whether Mexico was a mixed economy. They correctly explained the meaning of a mixed economy, in terms of the allocation of resources and/or ownership involving both the private sector and public sector, and then went on to use evidence from the article to further develop the explanation. A number of candidates recognised that although the balance of the mixed economy in Mexico was changing, it was still a mixed economy and not a planned economy.

(b) Many candidates were able to explain what was meant by the concept of opportunity cost, in terms of the value of the (next) best alternative foregone when a decision was taken, although some made no attempt to define the term and others defined it in terms of any alternative rather than the best alternative. The candidates then went on to explain what was meant when it was stated that 'the opportunity cost of Mexico's new energy policy is huge'. Some candidates did this by referring to the fact that multinational companies that might have otherwise located in Mexico may have decided to go elsewhere where the energy policy was less restrictive for private companies. Alternatively, other candidates explained it in terms of a failure to introduce renewable methods as economists reckoned that Mexico could have produced almost half its electricity from renewable sources long before its target of 2050.

(c) Many candidates were able to consider the extent to which direct provision of electricity in Mexico through state-owned companies may be advantageous to consumers. For example, one potential advantage was that the government may have more financial resources to support the state-owned companies than the private sector, which could lead to lower prices and a more efficient supply of electricity to consumers. On the other hand, one potential disadvantage was that the state-owned companies had old and inefficient plants that were expensive to maintain and so this situation could lead to higher prices and a less efficient supply of electricity to consumers. One issue with many of the responses was that candidates did not always focus on the advantages to consumers, often focusing on the government instead; this is why a careful reading of the question is so important.

(d) The majority of candidates were able to assess whether the potential advantages of providing a subsidy to keep down the price of electricity in Mexico would outweigh the potential disadvantages. For example, two potential advantages could be a lower price and a higher quantity, while two potential disadvantages could be the fact that some of the companies might take advantage of the subsidy and become less efficient or that there would be an opportunity cost for the government in that the money used to finance the subsidy could have been used to finance something else, such as education or health care. One mark was available for a correct diagram and while many candidates gained this mark, many did not. The reason for this was that many of the diagrams were poorly drawn and labelled. For example, the supply curve was often shifted to the left, rather than to the right, or that the axes were wrongly labelled as price level and output rather than price and quantity. The demand and supply curves were often labelled AD and AS rather than D and S. In some diagrams, the new equilibrium positions as a result of the subsidy were incorrect. A number of candidates completely omitted a diagram. It is important that candidates realise when they are required to offer some evaluation; many candidates did not attempt to offer any evaluation of whether the potential advantages of providing a subsidy would outweigh the potential disadvantages, despite the fact that the command word used in the question was 'assess'.

(e) A number of candidates made a good attempt to assess the potential benefits and limitations of Mexico keeping its oil to generate the country's electricity. For example, one potential benefit would be that there would be a shift towards greater energy self-sufficiency, while one potential limitation would be that Mexico might not have the capacity to produce enough electricity for its population of about 130 million. As in the previous question, many candidates did not attempt to offer any evaluation of the potential benefits and limitations of Mexico keeping its oil to generate the country's electricity, despite the fact that the command word used in the question was 'assess'.

Section B

Question 2

(a) In this part of the question, candidates were required to explain, with the help of a formula, what was meant by price elasticity of demand for a product and to consider the importance of time in determining whether demand for the product was likely to be relatively price elastic or relatively price inelastic. The majority of candidates were able to state the correct formula, although some left out the reference to percentage change in relation to both quantity demanded and price, and then went on to consider the importance of time in relation to the elasticity of demand for the product. Most candidates recognised that elasticity would be likely to be relatively inelastic in the short run and relatively elastic in the long run. A number of candidates also pointed out that time was only one of a number of possible influences on price elasticity of demand and not necessarily the most important. Unfortunately, some candidates wrote a very general answer on the different determinants of PED without making any reference to time, while a few candidates wrote about price elasticity of supply rather than price elasticity of demand.

(b) In the second part of the question, candidates were required to assess whether knowledge of a product's income elasticity of demand was likely to be more important to a firm producing it than knowledge of its cross elasticity of demand. Most candidates were able to make some attempt to consider the importance of a product's income elasticity of demand, especially in relation to whether the product was a normal good or an inferior good, and a product's cross elasticity of demand, especially in relation to whether the product was a substitute or a complement. Unfortunately, many of the answers did not link consideration of YED and XED to a firm clearly enough. Some candidates did attempt to reach a judgement as to whether one was likely to be more important than the other, but unfortunately the quality of much of the evaluation offered was rather limited, and in some cases, the evaluation related to price elasticity of demand which had been covered in the first part of the question; it needs to be remembered that although eight marks are allocated to 'knowledge and understanding' (AO1) and 'analysis' (AO2) in the **part (b)** questions, four marks are allocated to 'evaluation' (AO3).

Question 3

(a) In this part of the question, candidates were required to explain, with the help of examples, the nature and characteristics of free goods and private goods (economic goods) and to consider the significance of the distinction between these two types of goods. Most candidates were able to explain the nature and characteristics of the two types of goods and to distinguish clearly between them. They stressed that free goods were not scarce and therefore did not require a market and that there was therefore no opportunity cost involved. In contrast, private or economic goods did require a price to be paid for them and so were both rival and excludable. Appropriate examples were used by most candidates, such as air or sunlight in the case of free goods and a house or a car in the case of private or economic goods. Unfortunately, some candidates confused a free good with a good provided 'free' by the government and gave such examples of public goods as defence or street lighting.

(b) In the second part of the question, candidates were required to assess whether education should be classified as a public good or a merit good. Most of them were able to clearly distinguish between the two types of good, stressing that a public good was non-excludable, non-rival and non-rejectable, whereas a merit good was a particular type of private good and so was both excludable and rival. Candidates then went on to consider whether education was an example of a public good or a merit good, coming to the conclusion that even though it might be provided in the public sector in many countries, it was actually an example of a merit good. Unfortunately, some candidates decided to 'sit on the fence', arguing that it could be both, while others wrote a very general answer on public goods and merit goods, with little or no direct reference to education. Alternatively, some candidates wrote in great detail about various types of education, contrasting public schools and private schools, without linking the discussion to whether education should be classified as a public good or a merit good. Little real evaluation was provided by the majority of candidates despite the fact that four of the twelve marks available were for evaluation.

Section C

Question 4

(a) In this part of the question, candidates were required to explain the possible causes of frictional unemployment and technological unemployment and to consider whether some element of frictional unemployment was inevitable in an economy. Most candidates were able to explain a range of possible causes. For example, frictional unemployment occurred when individuals were between jobs in search of another job, and in addition to search unemployment there might also be instances of casual unemployment. Causes of technological unemployment, on the other hand, included the introduction of technology when some workers did not have the skills to operate the new technology. Somewhat surprisingly, relatively few candidates gave an explanation of what was meant by unemployment in general. On the whole, little consideration was given to whether frictional unemployment was inevitable in an economy, although some candidates did attempt to address this part of the question by pointing out that this would depend, at least to some extent, on the quality of information available about vacancies in an economy.

(b) In the second part of the question, candidates were required to assess whether the consequences of technological unemployment were likely to be more serious than those of cyclical unemployment. Most candidates were able to clearly distinguish between the two types of unemployment, stressing that the former was the result of technical progress and a move from labour-intensive to capital-intensive production while the latter was the result of a deficiency in aggregate demand in an economy. Unfortunately, relatively few candidates made a genuine attempt to offer any evaluation as to which of the two might be more serious, despite the fact that although eight marks are allocated to ‘knowledge and understanding’ (AO1) and ‘analysis’ (AO2) in the **part (b)** questions, four marks are allocated to ‘evaluation’ (AO3).

Question 5

(a) In this part of the question, candidates were required to explain two tools of protection that could be used by a country when trading internationally and to consider whether one of these tools was likely to have more of an impact on the country’s economy than the other. Most candidates decided to focus on tariffs and import quotas, but some candidates did focus on alternatives such as export subsidies, embargoes and excessive administrative burdens or ‘red tape’. The explanations of the two tools were, on the whole, reasonably good, and in many cases, good use was made of appropriate diagrams even though these were not explicitly asked for in the question. However, the contrast between the two in terms of their likely impact on an economy was rather limited and needed to be developed more fully.

(b) In the second part of the question, candidates were required to assess whether all consumers, all producers and the government in a country would benefit equally from protectionism. There was a consideration of the impact of protectionism on all three economic agents, but candidates rarely focused on whether the impact would benefit the three agents equally and so the quality of evaluation offered by candidates was very limited.

ECONOMICS

Paper 9708/22
AS Level Data Response and Essays

Key messages

(a) Focus on the question – Some candidates gave general answers rather than directly addressing the specific question, which limited their marks. It's essential to tailor responses to the question's demands.

(b) Importance of evaluation – While analysis was often present, many candidates failed to provide balanced evaluation or judgment. Including evaluative comments is crucial for higher marks.

(c) Use of diagrams – Candidates frequently neglected to include diagrams or drew them incorrectly. Correct and labelled diagrams help support explanations and can boost marks.

(d) Conceptual understanding – Some candidates confused key economic concepts and were therefore unable to explain them fully e.g., minimum prices to boost the income of farmers or the fact that components of the current account measure values rather than quantities Solid understanding of core concepts is vital.

General comments

This paper tested candidates' knowledge, analysis, and evaluation skills across a wide range of economic topics. Many candidates showed understanding of core concepts, particularly fiscal policy, market failure, and shifts in supply and demand. However, some issues limited overall performance.

Some candidates did not focus their answers directly on the question asked, often providing general descriptions instead of applying their knowledge to the specific context. Evaluation was limited in many responses, with few candidates developing balanced judgments. Diagrams were sometimes omitted or poorly drawn, affecting the ability to gain marks for analysis.

Candidates who combined focused responses with evaluation and included diagrams generally achieved higher marks.

Candidates are reminded that evaluation should not consist of summative statements nor a series of statements preceded by 'it depends upon' etc. Nor should it simply analyse the strengths and weaknesses of individual arguments. Evaluation is the comparison of the strengths and weaknesses of different concepts etc., leading to a conclusion that attempts to answer the question set. Answers that do this clearly will always gain high marks.

Most candidates appeared to have enough time to complete the paper and most were reasonably legible. However, some scripts were barely readable. Care should be taken to ensure examiners are able to decipher all that is written.

Comments on specific questions

Section A

Question 1

(a) (I) This was a straightforward question, and most candidates scored well. Answers generally identified factors such as the availability of substitutes or whether chocolate is considered a luxury good to explain the fact that PED was inelastic. A few weaker responses confused PED with income elasticity or gave vague answers like 'because people like chocolate' without linking to elasticity concepts thereby gaining 0 marks.

(ii) Generally well answered. Most candidates applied the correct percentage change formula. Errors occurred where candidates reversed the base year or misread figures from the table. A minority attempted unnecessary conversions, which were not required.

(b) This question was accessible, and most candidates produced a clear diagram showing an outward shift in supply. Importantly, the diagram was sufficient to gain both marks as the question was asking candidates to demonstrate how a diagram could be used. Extended written explanations were therefore not required and often cost candidates crucial time that could have been better spent on later questions. Answers that gained 0 marks often resulted from using a macro diagram or ones that shifted the supply curve to the left/failed to show the price change or even omitted the diagram altogether.

(c) Marks varied mainly due to a less than full understanding of how buffer stocks operate. Strong answers that fully explained how buffer stock systems operate were rare i.e., buying when prices are low and selling when prices are high using maximum and minimum price controls. Some attempts at evaluation were made usually in terms of perishability/ease of storage. Weaker responses however, simply asserted that 'it will stabilise prices' without considering practical limitations such as financial burden, perishability, or historical challenges. Few candidates referenced real-world examples, which could have strengthened evaluation.

(d) Many candidates simply described the mechanics of minimum pricing in general without linking this policy directly to the objective of ensuring farmers receive a living wage. Stronger responses considered both benefits (income stability, poverty reduction) and drawbacks (market distortions, enforcement difficulties, risk of surplus production) and considered alternative policies. Weaker answers focused only on advantages or confused minimum pricing with minimum wages and thus gained low marks.

(e) Responses were mixed. Many candidates identified comparative advantage and export revenue as key benefits although some answers implied the link to greater revenue without specifically referring to the fact that specialisation led to greater price competitiveness. Fewer, however explored disadvantages such as vulnerability to global price shocks, overdependence on a single commodity, and limited economic diversification. Stronger answers integrated real-world context and long-term implications, while weaker ones relied on generic statements without linking to Ivory Coast's economic structure.

Section B

Question 2

(a) This question was generally well answered, with most candidates able to define and distinguish between producer surplus and consumer surplus accurately. Stronger responses included a well-labelled diagram illustrating both surpluses and then linked the discussion to the impact of rising prices on producer gains. However, a significant number of candidates failed to consider changes in producer revenue beyond simply stating that 'producers gain because prices rise'. Many ignored the fact that higher costs of production could offset any revenue increase, meaning producers may not always benefit. The evaluation required candidates to recognise that gains depend on elasticity of demand and cost changes, not just price movements. Diagrams were usually clear, but a minority omitted them entirely, which limited marks.

(b) Responses varied widely. Stronger answers explained both concepts clearly and linked them to the context of falling incomes, arguing that income elasticity is crucial for predicting demand changes during economic downturns. Many candidates provided good examples, such as luxury versus necessity goods. Weaker responses either simply explained the elasticities, often unnecessarily at length with no analysis of their importance when incomes are falling or focused only on one, missing the comparative element of the question. A common weakness was failing to evaluate circumstances where cross elasticity might matter, such as when substitutes or complements are significant. Evaluation marks were often lost due to lack of judgement or balance.

Question 3

(a) This question was accessible, and most candidates produced a clear PPC diagram. Stronger responses correctly distinguished between movements along the curve (reallocation of resources) and outward shifts (economic growth or increased resources). Many candidates explained opportunity cost well, noting that it is rarely equal due to increasing marginal costs. Weaker answers either omitted the diagram or confused shifts with movements, and some assumed opportunity cost is always constant, which limited evaluation marks.

(b) Performance was mixed. Stronger answers recognised that while increasing labour can contribute to growth, other factors such as capital investment, technology, and productivity improvements can also cause outward shifts. Many candidates provided good examples, such as automation or education improving efficiency. Weaker responses focused solely on labour increases without considering alternative factors, leading to limited evaluation. A minority adopted a normative approach, discussing employment benefits rather than addressing the economic mechanism behind PPC shifts.

Section C

Question 4

(a) This question produced a wide range of responses. Most candidates were able to identify the three components of the current account—trade in goods, trade in services, and primary/secondary income with clear definitions and relevant examples. Weaker responses though still fail to explain that they measure value leaving it unclear as to whether it is quantity or value. However, many candidates struggled with the second part of the question. While most recognised that a depreciation makes exports cheaper and imports more expensive, a significant number failed to consider conditions such as the responsiveness of demand for exports and imports or the impact of imported raw materials on production costs. Weaker responses assumed that depreciation automatically leads to a surplus without acknowledging these factors or potential time lags.

(b) Marks varied considerably. Stronger answers explained how supply-side policies—such as improving productivity, reducing costs, and enhancing competitiveness—could help reduce a deficit by making exports more attractive. These responses also evaluated limitations, including time lags and the need for complementary policies like exchange rate adjustments. Weaker answers focused narrowly on one policy or confused supply-side measures with demand-side interventions. Many candidates missed the opportunity to compare supply-side policies with alternatives such as protectionism or currency depreciation, which limited evaluation marks.

Overall, **Question 4** was the least popular essay attempted.

Question 5

(a) This was generally well answered, with most candidates able to identify two components of AD—such as consumption and investment—and explain reasons for their increase. Stronger responses included a well-labelled AD/AS diagram and linked the discussion to the conditions under which inflation occurs, such as whether the economy is operating near full capacity. Weaker answers assumed that any increase in AD automatically causes inflation, ignoring factors like spare capacity or the fact that increases in AD such as investment, may lead to long term improvements in AS. A minority omitted the diagram entirely, which restricted marks.

(b) Responses covered a broad range of impacts. Stronger answers provided a balanced discussion, considering how inflation erodes purchasing power for consumers assuming no corresponding increase in income while also increasing uncertainty and costs for firms. Many candidates evaluated circumstances where firms might benefit, such as when they can pass on higher costs or when nominal revenues rise faster than costs. Weaker responses were one-sided, focusing only on consumer impacts without considering firms, or adopted a normative approach without economic reasoning. Evaluation marks were often lost due to lack of judgement or failure to weigh relative impacts.

ECONOMICS

Paper 9708/23
AS Level Data Response and Essays

Key messages

- 4- and 6-mark data response questions include a requirement for explained analysis and evaluation. For **Question 1 part (c)** carries 1 mark for evaluation, while **parts (d)** and **(e)** each carry 2 marks for evaluation. Knowledge and understanding marks will only be awarded if they are relevant to the question and, where possible, applied to the context of the data.
- **Part (a)** of essay questions is marked on a 3, 3, 2 basis: AO1 up to 3 marks, AO2 up to 3 marks, and AO3 up to 2 marks. Candidates should structure answers to reflect this split and ensure all knowledge is applied to the question set. Analysis must be relevant and fully explained to gain credit; simple statements without explanation will not score. Evaluation must always address the question directly, comparing and contrasting the preceding analysis and making a clear judgement, rather than offering general comments.
- Accurate use of graphs, formulae and concepts is strongly encouraged, but without explanation and application these will only earn AO1 marks. To achieve AO2 and AO3, candidates must elaborate and apply this knowledge within their analysis and evaluation.
- In **part (b)** of essay questions, answers that only examine one side of the question will not score beyond mid-Level 2 for analysis and will not earn evaluation marks, as they do not fully answer the question.
- Centres should prepare candidates to structure answers using this approach to maximise marks.
- Questions may be drawn from any part of the syllabus, including new areas, so full coverage is essential.

General comments

- This paper tested candidates' ability to apply economic theory, interpret data, and evaluate policy measures across a range of contexts. Many candidates demonstrated understanding of key concepts such as market equilibrium, income distribution, inflation, and aggregate demand. However, some responses lacked depth in application and evaluation, limiting overall performance.
- A number of candidates did not focus their answers directly on the question, often providing general theoretical explanations without linking them to the specific context (e.g. Nigeria's ginger market or Malaysia's ageing population). Evaluation was limited in many cases, with few candidates offering balanced judgments. Diagrams were sometimes omitted or poorly drawn, reducing marks for analysis.
- There were also misunderstandings of concepts such as the interpretation of the Gini coefficient, the distinction between supply-side and demand-side policies, and the implications of demographic changes on productive capacity. Candidates who combined accurate theory with contextual application, clear diagrams, and well-reasoned evaluation generally achieved higher marks.
- Although most scripts were legible, a minority were difficult to read due to unclear handwriting or poorly presented diagrams. Candidates should ensure clarity in presentation so that their work can be fully credited by examiners.

Comments on specific questions

Section A

Question 1

(a) Many candidates scored 1 mark for recognising that both Malaysia's total population and ageing population increased between 2017 and 2022. However, a significant majority did not identify that the ageing population grew at a faster rate than the total population, which was key to the question.

(b) This question proved more challenging than anticipated. While many candidates were able to identify examples of changes in 'what to produce' in response to an ageing population, a substantial proportion gave vague answers such as 'produce more goods' without specifying relevant sectors (e.g. healthcare services, retirement housing). Stronger responses linked their examples to the needs of an ageing population and explained why such changes would be necessary. Weaker responses relied on generic statements that did not fully meet the demands of the question.

(c) Candidates were required to use a production possibility curve (PPC) diagram to consider changes in Malaysia's productive capacity. While most candidates drew a correctly shaped PPC, many failed to show an outward shift to reflect the increase in total population. A common error was presenting a static PPC without indicating any change in capacity. Additionally, some responses did not explain the diagram, limiting marks for analysis. Candidates who integrated the diagram with a clear explanation of how population growth affects productive capacity achieved higher marks. Additionally, as highlighted in previous reports, the 4-mark 'consider' command word requires some degree of evaluation, which was again rarely evident in candidate responses.

(d) This question required candidates to assess whether the Malaysian government should provide free childcare to working parents. Stronger responses considered both perspectives: the potential benefits, such as increased labour force participation and support for working families, and the drawbacks, including the impact on public finances and the opportunity cost of allocating resources to childcare rather than other priorities such as healthcare or education. Evaluation was expected to go beyond listing points by weighing these arguments and reaching a clear, reasoned judgment on whether the policy should be implemented. Many candidates, however, focused only on advantages or disadvantages without offering a balanced discussion, limiting access to higher-level marks.

(e) Candidates were asked to assess the likely impact of Malaysia's population change on aggregate demand, excluding net exports. Stronger responses explored the complexity of the issue by considering how population growth could increase aggregate demand through higher consumption and government spending, while also recognising factors that might limit this effect, such as income distribution, employment opportunities, and capacity constraints. The best answers moved beyond a simple prediction and discussed conditions under which the impact would be significant or marginal. Evaluation was demonstrated through weighing these conditions and explaining which scenario appeared more plausible, rather than offering an unqualified conclusion. Many weaker responses assumed an automatic rise in aggregate demand without addressing these nuances, which restricted access to higher-level marks.

Section B

Question 2

(a) This question was the most popular option in ***Section B***, with most candidates able to draw a demand and supply diagram and show the expected changes in equilibrium price and quantity following a fall in supply and an increase in demand. Stronger responses explained the combined effect of these shifts and considered the certainty of the new price, discussing factors such as elasticity and possible market constraints. Weaker answers often focused only on one curve (usually supply) or failed to include any discussion of certainty, which was required by the question. Some diagrams were poorly labelled or lacked clarity, limiting marks for analysis.

(b) Candidates were asked to assess ways in which producers of root ginger might be able to stabilise their incomes. Many responses correctly identified government intervention measures such as minimum price schemes and buffer stock systems. Stronger answers explained how these policies could help maintain price stability by preventing prices from falling below a certain level or by smoothing out fluctuations through stockpiling and release. Crucially, evaluation was based on directly addressing the question by considering the limitations of these policies, such as high implementation costs, risk of surplus or wastage, and administrative challenges in the Nigerian context. The best responses weighed these limitations against potential benefits and reached a clear, reasoned judgment. Weaker answers tended to list methods without explanation or failed to provide any evaluation, limiting access to higher-level marks.

Question 3

(a) This question was less popular than **Question 2** but still widely attempted. Many candidates correctly explained what the Gini coefficient measures and understood that a value of 0 represents perfect equality and 1 represents perfect inequality. However, some candidates confused these interpretations and reversed the meaning, which affected the accuracy of their answers. Stronger responses not only interpreted the data correctly – recognising that inequality fell between 2019 and 2022 – but also discussed how the government could use this information to monitor trends and design policies aimed at reducing inequality. The best answers considered the limitations of the Gini coefficient, such as its inability to show absolute income levels or regional variations. Weaker responses tended to simply state that inequality had fallen without addressing usefulness or limitations, which restricted access to higher-level marks.

(b) Candidates were asked to assess why it is easier for a government such as that of South Korea to redistribute income rather than redistribute wealth. Responses were expected to examine the ease or difficulty of redistributing income and then separately consider the ease or difficulty of redistributing wealth, with the evaluation culminating in a well-reasoned overall judgment on why it is easier to redistribute income. Many responses correctly identified that income is more visible and easier to tax through existing systems, while wealth is harder to measure and often tied up in assets. Stronger answers evaluated both sides of the argument – the advantages and disadvantages of redistributing income compared to redistributing wealth – and then offered a clear judgment on which approach is more practical. The best responses discussed administrative feasibility, equity implications, and economic effects before reaching a well-supported conclusion. Weaker answers often presented only one perspective or lacked depth in evaluation.

Section C

Question 4

(a) Stronger candidates began with a precise definition of inflation, typically identifying it as a sustained increase in the general price level over time. This provided a strong foundation for explaining three causes of inflation, most commonly demand-pull and cost-push factors. High-quality responses linked demand-pull inflation to rising aggregate demand (AD), often supported by examples such as increased consumer spending or expansionary fiscal policy. Similarly, cost-push inflation was explained through rising production costs – such as higher wages or global energy prices – shifting aggregate supply (AS) leftward. The best answers developed clear analytical chains, showing how these factors influence price levels and considering which is likely to dominate in 2025. Many argued that cost-push pressures, driven by supply chain disruptions and energy market volatility, could remain significant. Weaker responses tended to list causes without explaining mechanisms or failed to address the evaluative aspect of the question. For example, some simply stated ‘inflation occurs when costs rise’ without linking this to AS shifts or real-world examples. A minority overlooked the importance of global factors, which are likely to shape inflationary trends over time.

(b) Candidates were expected to evaluate whether supply-side or demand-side policies are the better way of reducing the specific type of inflation they discussed in **part (a)**. Stronger responses began by defining both policy approaches and then linked their analysis to the chosen inflation type. For demand-pull inflation, stronger answers argued that demand-side policies, such as contractionary fiscal or monetary measures, are more effective because they directly reduce aggregate demand, curbing upward pressure on prices. However, these policies were recognised as having drawbacks, such as slower growth and higher unemployment. For cost-push inflation, candidates often highlighted supply-side measures, such as improving productivity, reducing regulation, or investing in infrastructure, as better suited to tackling rising costs. Stronger answers acknowledged that these policies take time to materialise and may not provide immediate relief, whereas demand-side measures can quickly dampen inflation but do little to address underlying cost pressures. The best responses weighed these advantages and disadvantages, considered time horizons, and concluded which approach is more appropriate given the nature of inflation under consideration. Weaker answers often described policies in isolation without linking them to the type of inflation discussed or failed to provide a justified conclusion. Stronger candidates supported their evaluation with examples and explained why a combination of both policies might be optimal in practice.

Question 5

(a) Stronger candidates began by defining the current account and explaining why deficits occur, typically citing factors such as high domestic consumption of imports and lack of competitiveness in exports. Many responses linked these reasons to structural issues like productivity gaps or cyclical factors such as exchange rate fluctuations. The best answers evaluated whether governments should be concerned, noting that persistent deficits may lead to rising external debt and vulnerability to currency crises, whereas short-term deficits might reflect investment-led growth and be less problematic. Weaker responses often listed reasons without analysis or ignored the evaluative element of the question. Some candidates confused the current account with the overall balance of payments or focused narrowly on trade without considering income and transfers. Stronger answers incorporated real-world examples and discussed sustainability, financing options, and implications for economic stability.

(b) The best responses explained clearly how protectionist and contractionary policies would reduce a current account deficit. They showed that protectionist measures, such as tariffs and quotas, can restrict imports and reduce currency outflows, while noting risks like retaliation and higher prices. Similarly, they explained that contractionary policies, including higher interest rates or reduced government spending, lower aggregate demand and therefore cut spending on imports, though at the cost of slower growth and higher unemployment. Weaker responses often gave a general discussion of the advantages and disadvantages of these policies without linking them to the mechanism for reducing the deficit. Stronger answers focused on this link and reached a clear conclusion on which approach was more effective.

ECONOMICS

Paper 9708/24
AS Level Data Response and Essays

Key messages

(a) Focus on the question – Some candidates gave general answers rather than directly addressing the specific question, which limited their marks. It is essential to tailor responses to the question's demands.

(b) Importance of evaluation – While analysis was often present, many candidates failed to provide balanced evaluation or judgment. Including evaluative comments is crucial for higher marks.

(c) Use of diagrams – Candidates frequently neglected to include diagrams or drew them incorrectly. Correct and labelled diagrams help support explanations and can boost marks.

(d) Conceptual understanding – Some candidates confused key economic concepts for example, there remains a confusion between output, i.e. production, and productivity. Solid understanding of core concepts is vital.

General comments

This paper tested candidates' knowledge, analysis, and evaluation skills across a wide range of economic topics. Many candidates showed understanding of core concepts, particularly fiscal policy, market failure, and shifts in supply and demand. However, some issues limited overall performance.

Some candidates did not focus their answers directly on the question asked, often providing general descriptions instead of applying their knowledge to the specific context. Evaluation was limited in many responses, with few candidates developing balanced judgments. Diagrams were sometimes omitted or poorly drawn, affecting the ability to gain marks for analysis.

Candidates who combined focused responses with evaluation and included diagrams generally achieved higher marks.

Candidates are reminded that evaluation should not consist of summative statements nor a series of statements preceded by 'it depends upon', etc. Nor should it simply analyse the strengths and weaknesses of individual arguments. Evaluation is the comparison of the strengths and weaknesses of different concepts, etc., leading to a conclusion that attempts to answer the question set. Answers that do this clearly will always gain high marks.

Most candidates appeared to have enough time to complete the paper, and most were reasonably legible. However, some scripts were barely readable. Care should be taken to ensure examiners are able to decipher all that is written.

Comments on specific questions

Section A

Question 1

(a) 2-mark questions of this nature require 2 points of comparison, 1 mark for each. Marks are also awarded for simple comparisons, in this case, between the US and Eurozone and between 2023 and 2024. Descriptions of all the changes within the two periods are not required. Good answers that gained 2 marks answered the question in this way and were often brief. Weaker answers described changes within the periods or did not offer valid comparisons between the US and Eurozone and were often unnecessarily lengthy and would often gain 1 mark at most.

(b) Most candidates understood the difference between the two measurements for the first mark, but many were unable to clearly explain why real GDP was preferable as a point of comparison. Many simply stated that it was better or more realistic without offering a reason and therefore gained only 1 mark.

(c) Most candidates gained good marks as the question was reasonably accessible. Good links were often made to the improvements in efficiency leading to a reduction in costs and a shift to the right of the supply curve and a fall in the price of products due to the increase in productivity. Attempts at evaluation were reasonable and normally linked to perfectly elastic demand although the question of whether firms would automatically pass on these falls in costs to consumers was often strangely ignored. The most common reason why marks were not awarded were the incorrect uses of macro diagrams as the impacts would not be on the whole economy nor the general price level. Other problems were a failure to evaluate at all or convincingly.

(d) Most candidates had a reasonable knowledge of the costs of inflation although the quality of the explanations was varied. For example, it can adversely affect living standards but only if the increase in earnings does not match the increase in prices meaning that not all the population are affected equally. The benefits, however, were often vague, e.g., inflation means economic growth when in fact it may only be a sign of a growing economy which may only be true if caused by growing AD but not if, for example, the cause is an increase in costs. Evaluation was often very weak and not in the context of the US. Candidates must remember that data is provided for a reason and should be used. In this case, the data clearly explained that inflation in the US was mainly caused by rising AD and not costs of production yet very few candidates referred to this and so gained 0 evaluation marks.

(e) This question was generally quite well answered in terms of the analysis. As with **part (d)** however, answers tended to be generic and not specific to the situation in the US as detailed in the case study. Once again, candidates are reminded of the need to use the information in the case study in order to answer questions specific to the country referred to in the case study. In this case, as it is clear that inflation is largely due to an excess of demand, this means that any evaluation needed to focus on this. This was rarely done, and evaluation marks were low.

Section B

Question 2

(a) This question was generally answered quite weakly. Although most candidates had a limited knowledge of what an indirect tax was and that it was sometimes used to limit consumption of demerit goods, a full understanding of what the term incidence meant was rare. As this was a crucial part of the question, marks were generally low as a result. Again, although candidates were often able to explain the effect of the tax on the price, usually through a diagram, full explanations of the impact of PED on the incidence were uncommon. Candidates must explain changes in demand by considering the percentage or proportionate changes resulting from percentage changes in price. It is not enough to say that for example, consumers pay more tax if the PED value is inelastic. This needs to be explained to gain credit for analysis and evaluation.

(b) Many candidates clearly did not read this question carefully enough and focussed solely on the benefits of merit goods rather than considering whether they should be subsidised. The question was quite specifically asking them to assess the extent to which a government should subsidise merit goods to increase their consumption so an analysis of the advantages and disadvantages of using subsidies to do so was required. An analysis of the advantages and disadvantages of merit goods in general was not required and was irrelevant. Candidates were then expected to consider the advantages and disadvantages of at least one other method of increasing their consumption. Few candidates were able to do this, and so evaluation was very limited and very few got beyond level 2 analysis.

Question 3

(a) This question was the most popular in ***Section B*** and was generally well answered. Most candidates were able to explain what is meant by elastic and inelastic PES and provide reasons. Some candidates confusingly explained PED, presumably misreading the question. Difficulty remains however, in offering an understanding of elasticity in terms of the percentage response to a change in price and some candidates persist in referring to big or small changes that gains no credit. Again, in the analysis, most candidates could distinguish between agricultural and manufactured goods although some answers were far too vague meaning that meaningful evaluation was not possible. This question, however, saw some full mark answers although those who tried to include references to all elasticities in evaluation were not rewarded as this was irrelevant.

(b) This type of question has been asked many times before and has rarely been answered well. The main reason is that candidates tend to use it to highlight all their knowledge and understanding of the elasticities being analysed rather than answering the question. In this case, the question was asking for an assessment of whether YED was more useful than XED for firms wishing to increase their income. Much time was wasted in unnecessary explanations of the elasticity values which could be dealt with quickly. Many candidates were able to link YED to production decisions and the state of the economy, but few pointed out that this depended on the ease of switching from one product to another. Most also understood XED but were unable to convincingly analyse how it could be used to raise income from sales. Consequently, the opportunities for evaluation marks were limited.

Section C

Question 4

(a) This was generally well answered by most candidates. However, some candidates were unable to clearly explain how the chosen methods of protection actually protected domestic firms from foreign competition. In terms of the benefits to an economy, some candidates examined the benefits to firms themselves and not the overall economy. The possible drawbacks, however, were often more weakly explained which limited opportunities for evaluation marks.

(b) The principles of comparative advantage were often adequately explained but most candidates were often unable consider whether they justified international trade – particularly the extent to which other factors might need to be considered. Once again, this was an example of candidates showing knowledge and understanding of a concept but not being able to apply it to the question and led to much time being wasted on explanations of the mechanics of comparative advantage with unnecessary diagrams and tables. This limited many answers to level 1 analysis and did not allow for any evaluation.

Question 5

(a) The two types of unemployment were usually adequately explained although a significant number of candidates confused cyclical unemployment with seasonal unemployment / frictional unemployment and were unable to clearly explain structural unemployment which was surprising. Candidates however, had difficulty in assessing the relative damage that each type may cause to an economy. Common responses stated that structural unemployment was less damaging as policies were relatively easy to implement or that cyclical unemployment was less damaging because the economic cycle would cure it when the economy grew. Both responses were too vague and unconvincing and led to little or no creditworthy evaluation.

(b) Most candidates were able to offer some explanation of how supply side policies might reduce unemployment, but an understanding of why the policies might not succeed was often very limited. Some candidates, however, confuse supply and demand side policies which adversely affects the quality of analysis and makes any evaluation less convincing. There were, however, some very good answers that analysed the advantages and disadvantages of using supply side policies and compared them to other demand side policies. Good evaluation marks were given to those candidates who were able to provide analysis as to which policies worked best for different types of unemployment.

ECONOMICS

Paper 9708/31
A Level Multiple Choice

Question Number	Key
1	A
2	A
3	C
4	A
5	D
6	A
7	D
8	D
9	B
10	B

Question Number	Key
11	C
12	A
13	D
14	B
15	A
16	D
17	D
18	B
19	C
20	C

Question Number	Key
21	C
22	A
23	D
24	B
25	A
26	B
27	A
28	D
29	A
30	C

General comments

Overall performance was of a reasonable standard, with most candidates answering more than half of the questions correctly. There were a small number of very good candidates, with 5 per cent of candidates answering more than 25 of the questions correctly.

Questions 2, **4**, **9** and **26** were answered successfully by more than 80 per cent of the candidates. Only **Questions 23** and **29** were answered correctly by less than 25 per cent of the candidates. Candidates performed significantly better on the microeconomic questions.

Comments on specific questions

Question 5 asked candidates about the creation of a Pareto-optimal outcome. This is one which is efficient by ensuring that someone cannot be made better off without making someone else worse off. It is possible that each of the options could lead to a Pareto-optimal situation, but the question asks for the one that is <u>most</u> likely. Option **D** will almost certainly increase efficiency which allows most in society to gain with nobody losing out (consider it as a movement outward of the production possibility curve, PPC). This correct option was chosen by slightly more than a third of candidates. Options **B** and **C** are similar, as they are both effectively switching output from one group of products to another (consider it as a movement along the PPC). It was therefore surprising that option **C** was the most popular option, but option **B** was only chosen by 15 per cent of candidates. Neither option is likely to lead to a Pareto-optimal outcome.

Question 20 saw less than 30 per cent of candidates choose the correct option **C**. If the economy is on the vertical part of the LRAS then any attempt to increase real GDP will be limited to long-run supply side measures, preventing a fast rate of real GDP growth. Option **D** was the most popular option, but an economy with a large negative output gap will be operating well below full employment so a fast rate of growth of real GDP is possible. Option **A** was nearly as popular as the correct option, but although a small multiplier will limit the effectiveness of any expansionary policy, this can be overcome with a larger injection.

Question 23 was answered correctly by less than a quarter of candidates and the three wrong options were each chosen by a significant number of candidates. This may have been due to many candidates not knowing what is meant by a 'revaluation' of the exchange rate (the opposite of a devaluation). Any revaluation will cause imports to be less expensive and exports more expensive. With the Marshall-Lerner rule in place, this leads to a fall in AD in the long run (as the balance of trade worsens). Cheaper imports will also reduce costs for domestic firms so that AS will increase. Option **D** is therefore correct. Option **C** was the most popular which could be explained by candidates considering the new short-run equilibrium instead of the long-run equilibrium.

The least well answered question in the examination was **Question 29**, answered correctly by less than one in five candidates. The increase in domestic interest rates will reduce the demand for imports (due to the expenditure-reducing effect), so that the current account improves. The higher interest rates will also attract investment from overseas so that the financial account will improve. Option **A** is correct, although options **B** and **C** were more popular choices. The former may be explained by candidates still not understanding the make-up of the financial account, and the latter by ignoring the uncertainty about the impact on exports (when not knowing the price elasticity of demand for exports).

ECONOMICS

Paper 9708/32
A Level Multiple Choice

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

General comments

Overall performance was disappointing, with only half of all candidates answering more than half of the questions correctly. There was a small number of very good candidates, with 7 per cent of candidates answering more than 25 of the questions correctly.

Question 27 was the only question answered successfully by more than 80 per cent of the candidates. Only **Question 19** was answered correctly by less than 20 per cent of the candidates. Candidates performed equally well on the microeconomic and macroeconomic questions.

Comments on specific questions

Question 2 showed confusion between a budget line and an indifference curve. The question asked about what determines the gradient of the former with just over a third of candidates, mainly high-performing ones, correctly choosing option **D**. However, option **A** was the most popular, selected by more than 40 per cent of candidates (primarily ones performing less well across the whole examination). This option, about the marginal rate of substitution of one good for the other, is what determines the slope of an indifference curve.

Question 11 also illustrated a common mistake, this time concerning maximum prices. In the scenario, the maximum price has been set <u>above</u> the current equilibrium price. This means that the equilibrium position will not change. Only one third of the candidates, the significantly better-performing ones overall, correctly chose option **B**. More than 40 per cent of candidates ignored the fact that the maximum price is above the current equilibrium and assumed the new price, P_2, would be charged, leading to a surplus and so chose option **D**.

Question 19 was about the challenging topic of active money balances (money held for transactions and precautionary motives) and what would lead to a fall in their demand. Option **D**, an increase in the rate of interest, was the most common choice although active balances are interest inelastic (these balances are drawn as a vertical line when plotted against the rate of interest). This option would be a correct answer for a question about idle balances (speculative motive) which suggests many candidates were unclear about the terminology in the question. Option **B** was another popular choice, but an increase in the general price level will increase the demand for active balances so that consumers can pay the higher prices. Although only selected by one in five candidates, option **A** is the correct answer. If an individual receives their income more regularly, they will not need to hold such a large active balance.

Although the correct option **C** was the most popular choice in **Question 26** (selected by just over a third of all candidates) a significant number of candidates chose each of the incorrect options. The topic of international aid is one which is still not well understood by many candidates. The example of aid provided in the question comes from an international organisation (the UN) so that it is ‘multilateral aid’. It is being provided for a specific purpose (to purchase vaccinations) so that it is also ‘tied aid’.

ECONOMICS

Paper 9708/33
A Level Multiple Choice

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

General comments

Overall performance was very good, with most candidates answering more than 21 of the questions correctly.

Questions 1, **3**, **5**, **6**, **10**, **11**, **16**, **25**, **27** and **30** were answered successfully by more than 80 per cent of the candidates. On the other hand, **Questions 17** and **28** were answered correctly by less than 40 per cent of the candidates. Candidates performed better on the microeconomic questions.

Comments on specific questions

Question 17 was about the generally challenging topic of liquidity preference. However, on this occasion it was a relatively easy question about the impact of increasing income in the economy. The active balances (transactions and precautionary motives) component of liquidity preference is positively affected by income levels, as individuals will have more money available to spend. This leads to an increase in liquidity preference, to LP_3 in the diagram, so that option **A** is correct. More than half of all candidates chose either option **B** or **C** which requires the money supply to increase. However, the money supply is not affected by income levels (being mainly affected by the activities of commercial banks and government borrowing or bond sales) so ruling out these two options.

Question 28 was about two of the composite indicators of living standards, a topic which is still not well understood by many candidates. The correct option is **D**, as years of schooling is included in both HDI and MPI measures. Options **B** and **C** were chosen by more than half of all candidates. However, GNI per capita (option **B**) is not included in MPI, as this measure does not include any monetary indicators of living standards. Life expectancy at birth (option **C**) is similarly not included in MPI as this measure only considers child mortality and nourishment as its indicators of health. Evidence from performance on this question suggests that candidates are generally more familiar with the HDI measure of living standards than the MPI measure.

ECONOMICS

Paper 9708/33
A Level Multiple Choice

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

General comments

The general standard of answers on this paper was very good. More than one third of the candidates correctly answered 26 or more of the questions. Only 10 per cent of candidates were unable to correctly identify at least half of the answers.

Candidates performed equally well across the microeconomic and macroeconomic questions. **Questions 3**, **4**, **6**, **7**, **8**, **15**, **21**, **22**, **23**, **25**, **26**, **27** and **28** were answered most successfully, with a correct response rate of at least 80 per cent in each case. **Questions 14**, **29** and **30** were the only questions answered correctly by less than half of candidates.

Comments on specific questions

Question 14 was the least well answered with most candidates wrongly selecting option **B**. It is correct to say that all the units of labour between O and L will be paid an element of economic rent and transfer earnings. However, the question asks about the unit of labour at L. The unit of labour at the equilibrium point will only be receiving transfer earnings, as the equilibrium wage (W) exactly matches the wage at which this unit of labour will offer themselves to the labour market. This leads to option **D** being correct, although only selected by less than 40 per cent of candidates. One of the key concepts in Economics is the study of the margin which this question is testing.

Question 29 starts out with the scenario of a fixed exchange rate system faced with a current account surplus. This will put upward pressure on the exchange rate. The monetary authorities, to maintain the fixed exchange rate, will need to find a way to increase the supply of the country's currency or decrease its demand. Option **D**, expansionary monetary policy, will lead to an increase in demand for imports so that the supply of currency will increase. This correct answer was chosen by just under half of candidates. Option **C** was chosen by more than a third of candidates. However, the sale of foreign currencies will lead to an increase in demand for the domestic currency which will only create more upward pressure on the exchange rate. [The sale of the domestic currency in the foreign exchange market would have the desired effect.] Options **A** and **B** will both have the opposite effect to the one required. An increase in export subsidies would cause an increase in demand for the domestic currency and import trade barriers will reduce its supply.

Question 30 asked about criticisms of foreign direct investment (FDI). The least valid criticism is option **A**, chosen by only 40 per cent of candidates. Although some commentators may highlight the negative impact of FDIs on domestic firms, economists will justify this as an efficient impact of increased competition. On the other hand, more valid criticisms of FDI include the creation of low-paid jobs (option **B**), the increased vulnerability to global shocks (option **C**), and the exploitation of natural resources (option **D**). In total, half of candidates selected either option **B** or **C**, although these criticisms are economically more valid than the impact on competition.

ECONOMICS

Paper 9708/41
A Level Data Response and Essays

Key messages

Section A is a data-response section; candidates must refer to the evidence provided when the question explicitly requires it.

When a **supporting diagram** is requested, candidates must include a relevant and fully labelled diagram. This was required in **Questions 1(b) and 3**. A well-written essay without a diagram cannot achieve above Level 2 marks**.**

For **essay questions**, evaluation is always required—even when not explicitly stated. In **Questions 2, 3, 4**, and **5**, up to six marks were available for evaluative development.

Evaluative development is generally weak with few candidates attaining Level 2 marks. Candidates who make simple evaluative comment(s) with no development and little supporting evidence may gain one mark for evaluation.

Evaluation marks can be cumulative within a level. Where a candidate makes a developed, reasoned and well supported evaluative comment, providing a justified judgement, this will potentially gain Level 2 marks for evaluation.

If not already done, It may be useful to teach evaluation as a clear skill, not an add-on. Candidates often view evaluation as 'adding a however' but good evaluation requires:

Judgement (Which option is better and why?)
Conditions (When might this policy work/not work?)
Magnitude (How big is the impact?)
Time frame (Short run vs long run)
Stakeholders (Winners and losers)
Prioritising (Which factor matters most?)

General comments

Candidates who produced well-developed, reasoned, and well-supported evaluative comments generally performed strongly in ***Sections B*** and ***C***. Up to six marks are awarded for high-quality evaluation, making this an essential skill.

Overall, a number of candidates achieved strong results and are to be congratulated. Their responses were typically well-balanced, clearly structured, and directly addressed the questions, supported by relevant examples and application.

However, a recurring weakness was a failure to directly address the demands of the question. This was particularly noticeable in **Question 2**, where many candidates cited cigarette smoking but did not link their analysis to climate-related market failure, as required. In **Question 3**, several candidates failed to discuss at least two different market structures, which limited their marks.

In **Questions 1(c) and 3**, diagrams were explicitly required. While most candidates attempted diagrams, errors in labelling and construction were common. A frequent mistake in **Question 5** was using generic 'D' and 'S' labels in macroeconomic diagrams, rather than AD/AS. Some candidates also confused positive and negative output gaps.

Where diagrams were required but either missing or incorrect, candidates were restricted to **Level 2** for that question. Although diagrams were not explicitly requested in **Questions 2, 4, and 5**, candidates who used relevant diagrams were rewarded. **Question 5**, in particular, saw some strong use of the classical AD/AS model.

Comments on specific questions

Section A

Question 1

(a) Two marks were available for accurately explaining absolute poverty. Most candidates correctly described it as a fixed, universal standard of basic survival. One mark was awarded for a simple reference to basic needs; the second could be earned by citing the specific poverty line from the data (**$2.15**).

(b) Full marks were awarded for a correctly labelled labour-market diagram showing:

- initial labour supply and demand
- the original equilibrium
- a *leftward* shift of supply
  Candidates could earn up to three marks for a correct written explanation alone.

(c) There were several good responses. Some candidates, however, confused home and host countries. The question required benefits, so responses focusing on drawbacks were not rewarded.

(d) A full-mark answer required a balanced discussion using information from the article, highlighting both benefits and disadvantages for the host country. A clear conclusion was worth one mark. Some candidates again confused home and host economies.

Section B

Question 2

This was a popular choice. Many candidates included diagrams, although not all were accurate or correctly labelled. A common issue was using smoking as an example without a link to climate change, despite the question's explicit focus. Some candidates also failed to address why the market fails to allocate resources efficiently, or omitted the solution component (most commonly indirect taxation).

Despite this, many responses contained strong evaluation, and this question produced a relatively high number of **Level 3** answers.

Question 3

Candidates were expected to discuss barriers to entry and show the impact of these barriers on at least two different market structures - one with free entry and one with significant barriers. Responses discussing only one structure, or two examples of the same structure, were capped at **Level 2**.

Where no diagram was presented, marks were capped at **Level 2**. Most candidates produced appropriate diagrams, but relatively few achieved high-level evaluation. Stronger evaluative responses discussed:

- non-price competition in oligopoly (product differentiation, marketing, advertising)
- the role of regulation
- contestability and its limitations in monopoly markets.

Section C

Question 4

This was the more popular macroeconomic question. Most candidates were able to explain exchange rates, and many correctly identified relevant macroeconomic objectives. Stronger responses used AD/AS diagrams to show how an appreciation affects national income and economic growth.

Some candidates failed to focus specifically on the effects of an appreciating currency. Better evaluative points included discussion of:

- how the marginal propensities to import and export affect the multiplier and AD
- the Marshall–Lerner condition, although some incorrectly applied it to a depreciation rather than an appreciation.

Question 5

Better responses recognised that the statement in the question was too narrow: economic growth can occur both below and at full employment**.** Candidates generally defined economic growth as an increase in real GDP over time and understood full employment as efficient use of resources, with some referring to the natural rate of unemployment.

Many candidates supported their answers with appropriate diagrams, including Keynesian and Classical AD/AS models, and used the PPF to illustrate both actual and potential growth.

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Paper 9708/42
A Level Data Response and Essays

Key messages

- Most candidates demonstrated that they understood the relevant theory and the best candidates were able to articulate the analytical aspects within the context of the question. Others failed to fully develop the analytical aspects of the question or to apply it to the context of the question.
- Many questions contained the command word 'Evaluate'. This term required a candidate to judge or calculate the quality, importance, amount, or value of the information or theory that was used in the answer. Whilst most produced a limited evaluation, fewer developed the evaluative point sufficiently to gain a level 2 evaluation (E2).
- Candidates are reminded that a thorough reading of the question is necessary to pick out the full breadth of the question. This is especially true now the questions are without sub-divisions.

General comments

- The level of English shown by candidates was of its usual high standard. Many answers were again of a high standard in response to the questions.
- The common faults were as in previous examinations, but they are worth repetition.
- The use of badly drawn, or inaccurately labelled diagram, or even perfectly presented diagrams without any reference to them in the essay re-occurred as did the use of pre-learned answers that did not match the question which had been set. These comments, however, should not detract from the impression that the standard of response was high.
- Some candidates wrote at great length. In many examples these responses were poorly directed towards the question set. Candidates who can produce a relevant, concise and well-directed answer will always be well rewarded.
- It should be noted that to gain L2 evaluation marks, the evaluative comment must include a degree of analysis or explanation based upon economic concepts relevant to the question set.
- Candidates should take care with ***Section A*** **Question 1** that the amount of effort they put into each part reflects the significance of that part reflected in the number of marks awarded to it.

Comments on specific questions

Section A

Question 1

(a) Most candidates had a basic idea of the significance of the term 'constant prices' and made reference to extracting the effect of inflation. The best responses went on to expanding the meaning of GDP and identified either 'real' or accuracy of comparisons for a complete answer.

(b) Most candidates scored well on this question. They defined both terms and a benefit of each which existed for a firm of the form of integration.

(c) Candidates were able to distinguish between the markets structures of farmers and the traders together with two characteristics of each form of market structure.

(d) The answers provided split into those who had closely read the passage and followed the instruction 'Use the article' to extract relevant information to complete the task. Good responses defined the concept of the standard of living in terms of monetary and non-monetary features. The data concerning GDP and per capita income were identified as material aspects of the standard of living. The text was used to consider the other aspects of the growth in economic activity which detracted from the material wellbeing, such as degradation of the rain forest and flooding. Few mentioned whether the information provided was sufficient to reach an overall conclusion of the effect of changes on the standard of living.

Some responses were weaker as they gave the impression that the candidates had not read the text and wrote an answer based on their general knowledge.

Section B

Question 2

The question was based on the concept of allocative efficiency and the application of the concept to the problem of traffic congestion.

AO1 Knowledge and understanding and AO2 Analysis

The best responses produced a clear definition of allocative efficiency together with a diagram which showed its achievement. The concept was then applied to congestion showing a negative externality of consumption. As the question required the use of diagram(s) showing this in terms of a divergence between marginal social benefit and marginal private benefit was appropriate. Again, the candidates who analysed two policies which reduced congestion together with appropriate diagrams and a commentary on each diagram understood the purpose of the question.

In practice candidates' responses varied from this focused approach to the question of the best in varying degrees. Some had weak definitions, some omitted diagrams entirely, others suggested policies which applied to negative production externalities and the production of cars without reference to congestion. As mentioned above the question set should be what the candidates attempt to answer rather than a prepared response on a similar topic.

AO3 Evaluation

Candidates achieved Level 2 evaluation marks where they made analytically evaluative comments on the policies they had suggested, such as improvements in public transport were unlikely to produce the required effect when consumers had low cross elasticity of demand between public and private transport. Level 1 would be awarded where there was limited reference to the alternatives.

Question 3

This question was attempted by a minority of candidates. In practice only a minority reach a high level of knowledge, understanding and analysis. This meant that evaluation was limited. Some candidates wrote all they knew about wages determination but made little if any application to the question set.

AO1 Knowledge and understanding and AO2 Analysis

The question required the application of the economic theory of wage determination to the difference in average wages paid to chief executives and their employees.

The better responses explored the theory requires of the demand for labour through the marginal revenue product (MRP) theory showing how MRP for chief executive might be considered as significantly greater than the employees. This was supported examples such as, better education, leading to greater productivity raising the MRP. A clear analysis which identified and discussed both their marginal physical product (MPP) and the price of the good to determine the MRP was expected.

Likewise, there was clear examples as to why the supply of executive labour was likely to be relatively low compared with that of employees as the high level organisational of the former were less likely to exist in the working population. Those answers which referred to the wage elasticity of demand and supply of labour to extend the analysis were further rewarded.

However, weaker responses ignored reference to MPP, price and MRP and produced at best a limited supply and a demand analysis of labour but often disappointingly a one-sided approach based either on the supply of labour or the demand for labour which severely limited the opportunity for the depth of analysis required.

AO3 Evaluation

Candidates who identified the ability of chief executives to act as monopsonist employers of labour and correctly analysed the monopsonist model showed a good level of evaluation. A good number of candidates identified but did not develop an analysis of the impact of prejudice or discrimination. Those who saw the difficulty of the measurement of MPP did not support the assertion which explained why the difficulty arose.

Section C

Question 4

A minority of candidates attempted this question. The links between the fall in the exchange rate and macroeconomic aims was not always clearly stated and developed.

AO1 Knowledge and understanding and AO2 Analysis

The better responses included a clear definition of the meaning of a fall in the exchange rate and wrote of both devaluation and/or depreciation of the exchange rate. The candidates went on to consider how this change affected the relative price of imports and exports. The effect of the rise in exports and fall in imports were explored through the change in the (X–M) element of the aggregate monetary demand identity. Good use was made of the multiplier effect on aggregate demand (AD). The use of a relevant Ad and AS diagram to illustrate the effect was used at this point. This enabled candidates to then show the impact on macroeconomic aims of a country such as inflation, employment and economic growth depending on the state of the country's level of economic activity. Good candidates analysed how the rise in the price of imports could affect aggregate supply (AS), they then developed how this could lead to cost-push inflation due to a falling level of AS.

Weaker responses tended to concentrate on only a description of forms of a fall in the exchange rate and the effects of that change or a partial analysis of the fall in the exchange rate. In some cases, the reference to achievement of macroeconomic aims was in passing rather than a focus of the fall in the exchange rate. There was limited reference in answers to the capital account effects of a devaluation on the ability to attract foreign investment and the consequences for employment, etc.

AO3 Evaluation

Candidates who explored the Marshall-Lerner condition or produced an analysis based on the reverse J-curve were gained Level 2. However, evaluative comments were relatively weak. Comments such as 'it depends on the level of aggregate supply' need expansion with an analysis of why it depends on aggregate supply.

Question 5

Some 70 per cent of candidates attempted this question.

AO1 Knowledge and understanding and AO2 Analysis

Good responses began the essay with accurate definitions of both the meaning of a MNC and low-income countries. The latter was often linked to the International Monetary Fund definition. From this promising position the answer was developed in terms of the impact of FDI into the low-income country and the impact of this in the short-run on aggregate demand and in the long-run to aggregate supply. These impacts were often illustrated with AD/AS diagrams to clarify any statements. Analysis of the impact of MNC was also seen in terms of the injections/withdrawals model and explanation of the Multiplier model was demonstrated. The consequences of these effects were shown for unemployment, government revenue and social spending on health and education Further development of the analysis took place in terms of the effect on the balance of payments.

Weaker responses showed only a partial understanding of the elements noted above and/or the approach was descriptive rather than analytical. But, overall, some very good answers were seen.

A small number got the focus of the question wrong and answered as to how the MNC itself would benefit.

AO3 Evaluation

Most candidates were aware that MNC did not bring only benefits to low-income countries and were able to identify a broad range of limitations of MNC behaviour. The best responses rather than stating and briefly describing the limitation, as many did, went on to analyse the impact and thus gained Level 2 marks.

ECONOMICS

Paper 9708/43
A Level Data Response and Essays

General comments

Overall performance this year remained very similar to that of November 2024. Responses to **Question 1** were generally covered well and most candidates managed to gain more than half marks for each of the four parts. All **Question 1** questions worked well as performance discriminators. Although responses to **Question 2** were very good, answers to **Question 3** were dealt with less effectively. In ***section C*** **Question 4** was dealt with extremely effectively, while those who did choose **Question 5** – there were few who did so – frequently failed to gain the same high standard.

Diagrams were clear and accurately labelled and there were very few 'wasted' papers.

Comments on specific questions

Section A

(a) Marks varied considerably across a range of zero to five marks. Very good responses, which gained full marks, were able to provide an accurate diagram and use this effectively to explain the link between a Gini-coefficient and a Lorenz curve

(b) (i) Most of candidate's responses were able to gain both marks for this question. Precise definitions of Equity and Equality were not required. However, it was important to link the term 'equity' with the idea of fair outcomes and the term 'equality' with the idea of everyone being treated in the same way. This was consistent with recognising that fairness is a subject term while equality can be measure precisely, hence remains an objective term. Some candidates lost a mark for confusing 'equity' in this context with equity in relation to shareholding.

(ii) This question discriminated effectively. The majority of responses were able to recognise that there was a conflict between information in the text and information in the table. Better responses also commented upon additional, relevant information relating to the fact that there was no conflict regarding changes in national income, given both text and table stated that these changes had risen. Additional marks were gained for critical comment which pointed out that the text covered a general average while the table was restricted to specific countries.

(c) Marks were equally available for: explaining the concept of globalisation; identifying two benefits; identifying two costs and providing a balanced conclusion based on the preceding information. Some marks were lost for identifying costs/benefits which were not explicitly stated in the article but generally the question was answered well. More than 80 per cent of responses gained more than half marks

Section B

Question 2

Many candidates produced some very detailed analysis of the impact on consumers and producers of an increase in market contestability. The focus should have been upon the impact of the removal or non-existence of barriers to entry upon both consumers and producers. Good, clearly labelled diagrams were essential and the majority of responses provided appropriate diagrams. Approximately two thirds of those answering a question in this part, chose this question and some very high marks were achieved. Weaker responses lacked the correct balance when distinguishing between the impact on consumers and the impact on producers. Also, marks were lost in some instances due to a failure to question the impact in more depth, through the provision of relevant evaluative comment. Good answers identified problems arising in relation to natural monopolies and also the potential negative impact on consumers and producers associated with the loss of dynamic efficiency. It was expected that candidates would attempt to provide an overall conclusion which considered the net benefits that might be attained by introducing more contestable markets. It was pleasing to note that many candidates did attempt to do this.

Question 3

This question was based on a mainstream part of the syllabus, focussing upon the supply side of the labour market. While this would make this section accessible to many candidates, it did require candidates to read and reflect upon the specific question before 'putting pen to paper'. The key words in the statement related to, the labour **supply** and how changes in the supply might affect the wage and unemployment levels of **firms.** Clearly labelled diagrams relating to perfectly competitive labour market and a monopsony labour market were essential. Although the majority of responses produced some appropriate diagrams in relation to a monopsony market, a significant proportion of responses focused upon explaining how wages and employment might be affected in a perfectly competitive labour market, rather than a **firm** operating in a perfectly competitive labour market. Hence, many marks were lost. Good responses linked the perfectly competitive market to the perfectly competitive firm. This enabled some accurate analysis of the links between supply, wages and employment for this type of market and made it easier to provide relevant evaluative comment. Weaker responses simply wrote about the two labour markets in general, without focusing upon the supply side as stated in the question.

Section C

Question 4

Approximately 90 per cent of learners chose to answer this question. A very high proportion of responses gained a high mark for the knowledge, understanding and analysis part of the paper. It was clear that learners had been well prepared to answer a question based on this part of the syllabus. It was pleasing to note that the analysis provided in the overwhelming majority of responses was so comprehensive. Some very good answers referred to three alternative monetary policy approaches, incorporating the impact of changes in the money supply, changes in interest rates and changes in fixed exchange rates. In addition, this analysis was usually supported with some excellent, accurately labelled diagrams. Evaluative comment provided frequently focused on issues relating to changes in the exchange rate, based on the Marshall-Lerner theory and the construction of the J curve. Also, many candidates were able to use Keynesian liquidity preference theory to question the efficacy of using changes in the money supply to lower interest rates. Exceptional responses combined the above with references to the counteracting effect of negative expectations. Overall, very few candidates who chose to answer this question failed to gain at least a pass grade.

Question 5

Very few candidates chose to answer this question. The question worked well as a discriminator. Responses varied across a wide mark range. To gain a Level 3 mark for knowledge, application and analysis, it was necessary for responses to refer to the fact this is an expenditure switching policy and to support this analysis with a relevant, clearly labelled diagram. Although many candidates were able to identify this has an expenditure switching policy. a significantly large proportion of responses failed to incorporate a relevant diagram. It was expected that the majority of responses would provide a clearly labelled diagram which could then be used to analyse the impact of the use of tariffs. Many answers did refer to tariffs but failed to provide a relevant diagram. This was somewhat disappointing given such diagrams are always part of mainstream textbook's use of the tariff to illustrate an expenditure switching policy. Some marks were gained for providing a relevant AS/AD diagram and for linking this to the use of a tariff to reduce a balance of payments deficit. The most effective responses used a diagram to show the effect of a tariff on a perfectly elastic world supply of goods. This provided an ideal platform to base appropriate analysis because it would have been possible to show the overall impact on consumer and producer surplus which links in directly with relevant evaluative comment. This meant that opportunities to gain additional marks for evaluative comment identifying and discussing net welfare loss associated with the use of tariffs were almost universally missed. Marks were still gained however for evaluative comment which discussed alternative approaches such as expenditure reducing policies and/or supply side policies to reduce the price of exports.

Most conclusions needed to be more fully developed leading to some kind of judgement of final outcomes, rather than simply summarising the preceding analysis.

ECONOMICS

Paper 9708/44
A Level Data Response and Essays

Key messages

- Most candidates demonstrated that they understood the relevant theory and the best candidates were able to articulate the analytical aspects within the context of the question. Others failed to fully develop the analytical aspects of the question or to apply it to the context of the question.
- Many questions contained the trigger word 'Evaluate'. This term required a candidate to judge or calculate the quality, importance, amount, or value of the information or theory that was used in the answer. Whilst most produced a limited evaluation less developed the evaluative point sufficiently to gain a Level 2 evaluation (E2).
- Candidates are reminded that a thorough reading of the question is necessary to pick out the full breadth of the question. This is especially true now the questions are without sub-divisions.

General comments

- The level of English shown by candidates was of its usual high standard. Many answers were again of a high standard in response to the questions.
- The common faults were as in previous examinations, but they are worth repetition.
- The use of badly drawn, or inaccurately labelled diagram, or even perfectly presented diagrams without any reference to them in the essay re-occurred as did the use of pre-learned answers that did not match the question which had been set. These comments, however, should not detract from the impression that the standard of response was high.
- Some candidates wrote at great length. In many examples these responses were poorly directed towards the question set. Candidates who can produce a relevant, concise and well-directed answer will always be fully rewarded.
- It should be noted that to gain L2 evaluation marks the evaluative comment must include a degree of analysis or explanation based upon economic concepts relevant to the question set.
- Candidates should take care with ***Section A*** **Question 1** that the amount of effort they put into each part reflects the significance of that part reflected in the number of marks awarded to it.

Comments on specific questions

Section A

Question 1

(a) Most candidates gained full marks for the explanations.

(b) (I) Most candidates scored full marks for the explanations.

(ii) Most candidates scored full marks by identifying either noise, dirt or pollution.

(iii) Many candidates drew the diagram accurately with correctly labelled axes. The diagram was then used to explain the consequences for output and price in the steel market. On a minority of cases the explanation lacked fulness.

(c) Good responses recognised that the response required consideration of both the manner in which a monopoly might benefit consumers and pointed to economies of scale, etc. and circumstances in which consumers' interest might be disregarded such as, higher price. If, as many did, this was accompanied by a diagram with an explanation of the equilibrium point a strong response had been made.

Weaker responses responded only from the viewpoint that monopolies always operated against the interest of consumers.

Few produced a conclusion.

Section B

Question 2

This question was answered by 40 per cent of candidates. Some very good responses were seen.

AO1 Knowledge and understanding and AO2 Analysis

Most candidates had a good understanding of the terms marginal and total utility and were able to engage with the substance of the question. These terms were often correctly illustrated with diagrams to show the changes with increased consumption. Better responses then developed an analysis in terms of the Equi-marginal principle which seeks to show how demand for one good must change as the price changes to re-establish the equilibrium. This change was shown as a transfer to the individual's demand curve and hence to a market demand curve by horizontal summation.

Weaker responses did not extend the analysis to the equid-marginal principle and simply stated that because marginal utility fell that demand would fall. They drew a falling demand curve based on this assumption.
A minority of candidates wrote an essay based on the indifference curve (IC) analysis of demand.

AO3 Evaluation

Good evaluation was seen from the candidates who recognised that marginal utility theory made no provision for the income and substitution effects. They developed an evaluative analysis based on the needs for these to provide an analysis of inferior and Giffin goods. These were illustrated through an IC analysis. However, it needed an explicit statement that this was the purpose of the IC analysis to gain full recognition of the candidate's understanding.

Further evaluation was made by reference to rationality, addiction, demand for infrequent expansive goods such as cars and housing where the marginal principle is difficult to apply.

Question 3

This question was answered by 60 per cent of candidates.

AO1 Knowledge and understanding and AO2 Analysis

The best responses were seen from candidates who laid out the assumptions of the model of perfect competition. They had a clear idea of the difference between the short run and the long run and subnormal and supernormal profits. They responded to the 'with the …diagrams' requirement with clearly labelled and accurately drawn diagrams. The impact of subnormal and supernormal profits on the market supply and profitability was analysed to show how long run equilibrium was reached. Diagrams were well drawn by many and were accurate, for example marginal cost cut average costs at its minimum.

Weaker responses whilst they provided some basic analysis often omitted the assumptions of the model and thus the basis for the changes the candidate proposed. Some answers only referred to subnormal or supernormal profits. In weaker candidates' responses diagrams were often inaccurate and axes unlabelled.

AO3 Evaluation

The best candidates achieved level 2 evaluation by recognising and responding to the element of the question required in the term 'only by firms in…'. The use of any of the other models of market structure satisfied this requirement. The better responses made it explicit that this was the point of the comments regarding an alternative market structure. Weaker responses when they wrote about alternative market structures often framed the answer in terms of ‘all I know about market structures’ rather than tailor the answer to the question set.

Section C

Question 4

AO1 Knowledge and understanding and AO2 Analysis

Candidates were asked to consider two real world policies which are being implemented on the United States (US) and to consider the impact of the two policies on the rate of inflation.

Good responses initially considered the effects on the tariff on the aggregate demand for goods from the point of view of the country imposing the tariff. This was illustrated with an aggregate demand and aggregate supply (AD/AS) diagram showing that higher levels of domestic demand added to AD. They then explained how the tariff would increase import costs and hence the AS would fall. Again, the effects were shown by an AD/AS analysis.

The good responses then analysed the effect of reduced future immigration on both AD and AS with accompanied by relevant diagrams(s). It should be noted that weaker responses tended not to explore the migration element of the question and dealt only with the imposition of the tariff. The quality of such answers was reduced by this. Were diagrams added to the analysis? Were both the effects on AD and AS considered? Was only explanation and not analysis offered? These omissions all reduce the ability of the candidate to score high marks.

AO3 Evaluation

Good evaluation was seen in a minority of scripts even where high marks were gained for AO1 and AO2. Candidates who considered whether the country imposing the tariffs were operating above or below the full employment level of national income and the consequences for the degree of inflation. This was often supported with a diagram.

Useful reference could have been made to the elasticity of demand for imports and the effect on the quantity demanded and inflationary effects.

Evaluative comments of the migrants element of the question could have been on the short term effects on demand for such as, house rental prices or medical provision.

Question 5

This question was the more popular choice from ***Section C***.725 per cent of candidates attempted this question.

AO1 Knowledge and understanding and AO2 Analysis

Good responses opened with accurate definitions of ‘a government budget deficit’ and ‘economic growth’. The distinction was drawn between actual and potential economic growth. The identification of this distinction meant that a fuller analysis of the impact of a budget deficit was offered. Whilst not required by the question, candidates who offered diagrams as an element of the analysis were able to clarify the point being made with greater precision.

As mentioned in the comments on the previous questions weaker candidates differed in the extent of the omission made. A lack of definitions, no recognition of the short run long run distinction and its implications for the nature of the growth all combine to restrict the mark awarded.

AO3 Evaluation

Good candidates were aware of the implications of a budget deficit for the interplay of unemployment and inflation explained through the Phillips Curve. Very good candidates extended this evaluative analysis to an expectation augmented analysis. Others explored the role of ‘crowding out’ and the effect on investment by the firm. Commentary on the propensity to consume and the impact of this on the multiplier effect and the ability to reach the required level of AD.

It should be noted that the evaluative comments need to be analytical to gain Level 2 and it was the lack of analysis which meant the majority of candidates remained at Level 1.