



Examiners' Report

June 2024

GCE Economics A 9EC0 03

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Introduction

The paper was seen to be accessible to all candidates with a wide range of answers being given. Both case studies were on topics that candidates were able to get to grips with and make good use of the extracts and figures to aid them in their answers. The first case study, on the gas industry, was probably a little more complex as some candidates didn't appreciate the distinction between firms such as Bulb who are energy retailers and others who are producers of energy. Having said that, this generally didn't affect the economic arguments the candidates made.

Candidates seem to be improving in their time management, with the vast majority of answers being complete. Some candidates do still need to practice understanding when they have written enough for a question. In a 5-mark question examiners are looking for 5 parts of knowledge/application/analysis that they can award, in relation to the markscheme. In 8-mark questions examiners are looking to award 2 marks for knowledge, 2 for application, 2 for analysis, and 2 for evaluation. There is no need for extended arguments in these questions. When it comes to the 25-mark questions, candidates shouldn't feel the need to fill all of the pages in the exam paper. There are many answers of around 3-4 pages long that are achieving top level marks and answers of 6 pages long that aren't. Candidates need to be making a clear and focused chain of argument for a specific point they want to get across to the examiner, but there is a difference between a developed chain of argument leading to one specific point, and a very long paragraph that tries to link every macroeconomic objective into one point.

It is good practice to be clear before you start an exam how many minutes you should spend answering each question in the exam paper. For example, each section of the exam paper should be allocated one hour. Each 25-mark question should be allocated approx. 30 minutes. It is also important to make sure you are answering the question that has been set – not the question you want to answer. If it helps with this, candidates should highlight or underline the key words in the question.

In terms of popularity, on section A question 1e, about specialisation, was significantly more popular than question 1d, about gender-based wage differences, by around 6 to 1. On section B, it was around 2 to 1 in favour of question 2d.

Question 1 (a)

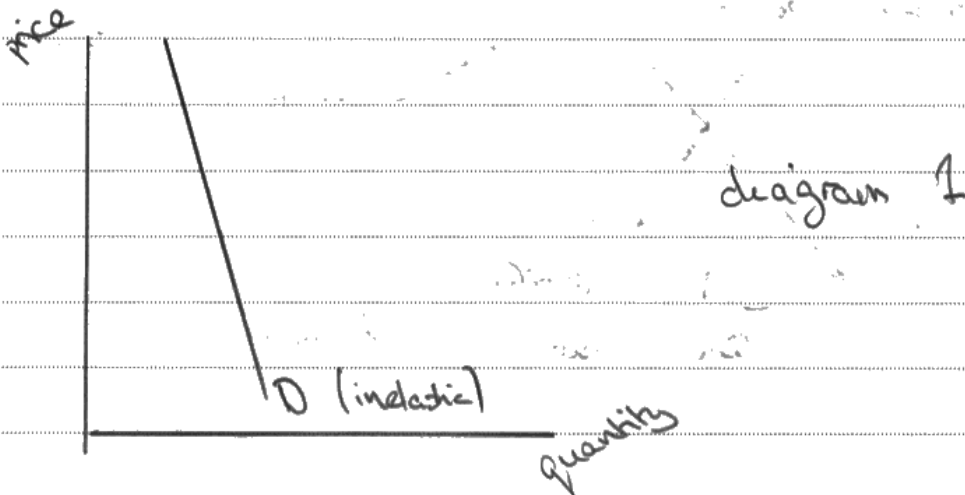
Price inelastic demand is a key economic concept that most candidates are very familiar with. As can be seen on the markscheme, examiners are looking for candidates to answer the question – i.e. to 'explain what is meant by price inelastic demand'. Candidates are not asked to explain price elasticity of demand, and so therefore did not receive marks for defining this or for writing out the PED formula. The Knowledge/Analysis marks are found from explaining what price inelastic demand means. One easy way to illustrate this, which surprisingly few candidates did, was to draw a diagram showing an inelastic demand curve. Remember just because you haven't been asked to draw a diagram, doesn't mean you can't still do so and you will receive credit where this aids your explanation.

In any 'explain' 5-mark question such as this, candidates should remember that there are two marks for application. This means candidates need to ensure they have two distinct pieces of application in their answer. Many answers were receiving a mark of 4/5 because they only had one piece of application.

(a) With reference to Figure 1 and Extract A, explain what is meant by 'price inelastic demand' (line 8).

(5)

price elasticity of demand is the responsiveness of demand to a change in price. There is no short run substitute for energy - therefore ~~there is~~ perfect ^{price} inelasticity of demand. Price inelastic demand is when a change in price has very little ~~other~~ change to demand and is shown by a more vertical demand curve.



ResultsPlus
Examiner Comments

This answer achieves a mark of 3/5. They earn an application mark for 'there is no short run substitute for energy'. There are two knowledge/analysis marks for explaining what price inelastic demand means and for the diagram.



ResultsPlus
Examiner Tip

Drawing a diagram such as in this answer is a good way to gain marks. The question isn't about price elasticity of demand in general so no marks are awarded for the first sentence.

(a) With reference to Figure 1 and Extract A, explain what is meant by 'price inelastic demand' (line 8).

(5)

Price elasticity of demand measures how responsive a change in quantity demanded is to a change in price of a good or service. $\frac{\Delta QD\%}{\Delta P\%}$

Fuel costs in the UK are a perfect example of 'price inelastic demand', this means PED is inelastic.

A change in price will not lead to a change more than proportionate change in quantity demanded. This means quantity demanded is relatively unresponsive to a change in price.

Figure 1 shows how the price is said to have increased from 60p in February 2021 to 352p in December 2021.

This will not change quantity demanded by a lot as fuel costs are a necessity good. This means the numerical value is likely to be close to zero.



ResultsPlus
Examiner Comments

This answer achieves full marks. The candidate has three knowledge/analysis marks for explaining what inelastic PED means, for fuel costs are a necessity, and for the numerical value is likely to be close to zero. They have achieved the two application marks for the quote from the extract - 'a perfect example of price inelastic demand' and for quoting data from figure 1.



ResultsPlus
Examiner Tip

Make sure you are spending your valuable time in the exam writing things that will earn you marks - the first three lines of this answer do not earn any marks, as they are not answering the question.

Question 1 (b)

Probably the first thing that candidates should have noticed with this question is the word 'one' in bold. The question only asks for ONE likely externality, so candidates who write about two different externalities are wasting valuable time. The question specifically asks for a diagram, and as such answers that do not have a correct diagram showing the external costs of production can achieve a maximum mark overall of 6/8. Fortunately this wasn't an issue for the majority of students, but again it does illustrate the importance of ensuring that you can draw all the key diagrams across the specification.

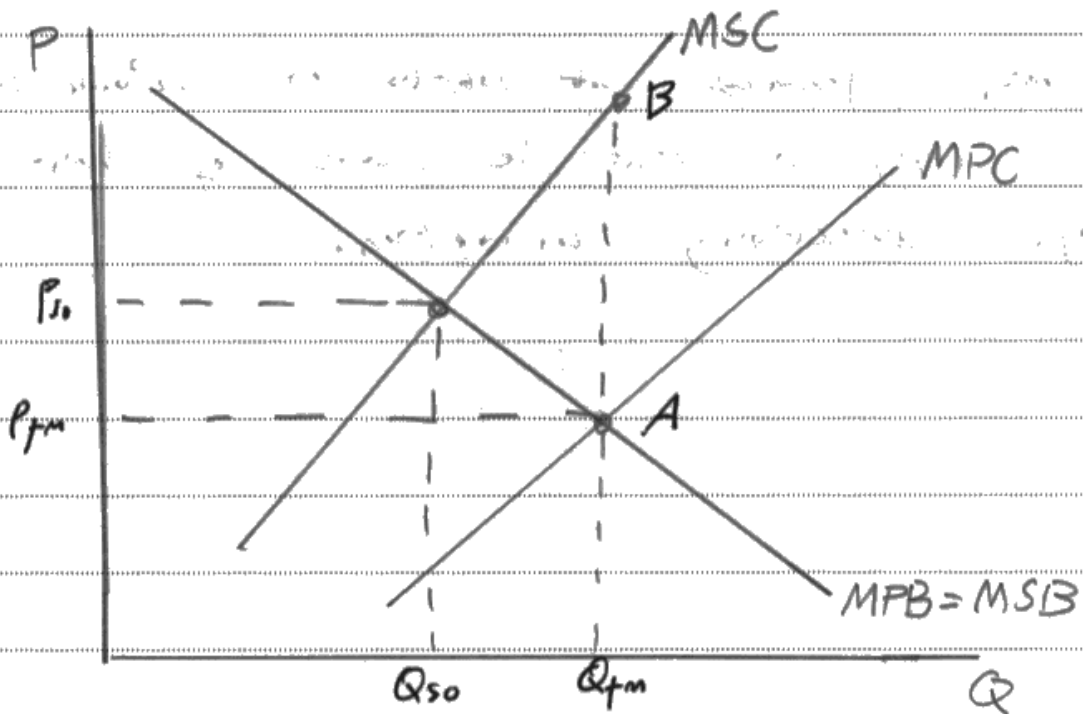
Many well-written answers gained the knowledge/analysis marks relatively quickly. Some struggled to receive the second application mark – remember in any 8-mark question, there will ALWAYS be 2 marks for application.

Whilst the number seems to be falling, as hopefully the structure of an 8-mark question is well-understood by now, there are still a significant number of candidates who simply aren't evaluating in this question. Remember this automatically means there are two marks you won't be able to earn.

(b) Examine **one** likely externality that arises when a producer generates electricity by burning gas. Use a diagram to show the external costs of production.

(8)

One likely externality that arises when generating electricity by burning gas is pollution through harmful gases being released into the atmosphere which create negative externalities on third parties such as health issues, poor air quality and worsening standards of living.



The negative externality at AB represents the costs of production of burning gas on third parties, meaning that significant negative externalities are generated due to oversupplying energy through burning gas at Q_{fm} P_{fm} in the free market, rather than Q_{so} P_{so} at the social optimum. Significant "carbon emissions" are generated, as shown in Extract A. When carbon emissions are taken into account, demand will be

subsequent negative externality.

However, the supply of non-renewable energy such as 'burning gas' is finite, and thus firms will be forced to switch to more renewable sources of energy such as "wind turbines", meaning externalities will not be continuous in the long run.

Furthermore, government subsidies on renewable energy are likely to cover the costs of burning gas through disincentivising consumption.

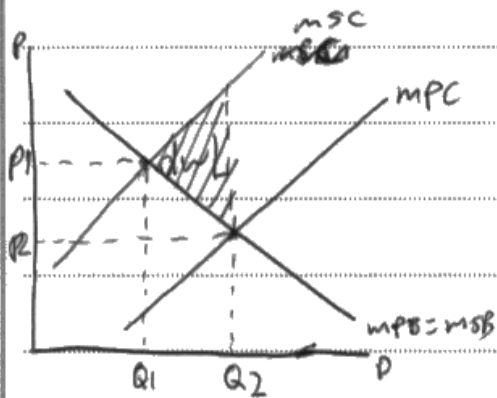


ResultsPlus
Examiner Comments

This answer achieves full marks. First of all, they have a correct diagram. The first paragraph, above the diagram, clearly identifies the negative externality and references 'third parties'. In terms of application, this can be found both in the first and second paragraphs. There are two marks for evaluation on the second page of the answer. Clearly a well-written answer that does exactly what is required to answer the question and achieves full marks.

(b) Examine **one** likely externality that arises when a producer generates electricity by burning gas. Use a diagram to show the external costs of production.

(8)



Both electricity and gas are inelastic goods and have a high demand regardless of price, however since their is such a high demand the negative environmental externality is greater. By burning gas in order to generate electricity it creates significant environmental damage, not just from the absorption and collection of the gas by the but the waste and pollution caused after which damages habitats, atmosphere etc. As a result of the environmental impact, it causes a net welfare ^{loss} as the ~~quality~~ quality of health for people also decreases resulting in more demand and strain on health services and it creates a negative multiplier effect.

The diagram above ~~shows~~ ^{is} a negative production externality graph, we can see that ~~MSC is greater than MSB~~ ~~and that at Q1~~
 MSC is greater than MSB and that at $Q1$

where $MPB = MSB$ meet MSC price is high at P_1 suggest
 the cost of generating ~~power~~ electricity via gas
 has a greater social cost, P_2 is illustrated
 at Q_1 and Q_2 where $MPB = MSB$ meets MPC which
 is lesser than MSC as air is a ~~poll~~ pollutant
 from $P_1 - P_2$ and $Q_1 - Q_2$ and a increase from $Q_1 - Q_2$.
 as a result of this it creates a dead weight
 loss represented by the shaded part of the diagram
 which suggest that there is market failure as
 a result of the negative production externality
 caused by gas generating electricity via gas.



ResultsPlus
Examiner Comments

This answer achieves 6/8. There is a correct diagram along with
 deadweight loss labelled. This therefore means that 3 marks have
 been achieved so far. The rest of the answer easily achieves the final 4
 mark and the two application marks - there is plenty of discussion
 about the negative externality from burning gas and explanation of the
 diagram. There is really more written here than is needed - the
 candidate could have stopped writing a lot earlier. Unfortunately, there
 is no evaluation in this answer and so therefore it can't achieve more
 than 6/8.



ResultsPlus
Examiner Tip

Remember there are ALWAYS 2 marks for evaluation in every 8-mark
 question.

Question 1 (c)

The key word in this question is 'constraints'. Examiners are looking for candidates to focus on what might be holding back energy retailers or preventing them from growing. The word 'constraints' is also in plural, so therefore to achieve the top KAA level, candidates should be discussing two different constraints in their answer.

In a 12-mark question, there are 4 marks available for evaluation, so candidates need to make sure they are offering some evaluation in their answer – so in this case, why something might NOT be a constraint for the firms after all.

It is also important to note that the question does specify 'firms supplying energy to households in the UK', so the focus should be on that part of the gas industry, rather than production of gas. Although in many cases the points are similar anyway.

(c) With reference to Figure 2 and Extract B, discuss the possible constraints on business growth for firms supplying energy to households in the UK.

(12)

Towards the end of Extract B, it states that prices for households were raised by 54%, however UK firms were paying prices that had risen by more than 70% for gas. This proves that costs for UK energy firms were higher than the returns they got for sales, which would obviously place the business at a loss, therefore putting constraints on business growth due to the fact that firms wouldn't be earning enough profit to reinvest into their business and help to increase production or improve advertising, or to expand the business.

Furthermore, constraints are what prevents business growth from occurring, and as you can see in Figure 2, from 2014 and onwards, the number of firms supplying gas and electricity has rapidly increased up to 2018 at least, and then slightly decreased by a little by 2021. This shows how many new firms have entered the UK gas market, therefore highly increasing and leading to more and more competition. High levels of competition may make it hard for some firms to grow, as they may not have enough resources to supply or meet demands of consumers, and may therefore have to exit the market.



In this answer the candidate has written about two different constraints on business growth. As is probably clear fairly quickly from looking at this answer, there is no evaluation in this answer, so it therefore can't achieve those marks. The first point here, focusing on the firms' costs being higher than the price cap for gas, makes good use of the data and clearly explains how this is therefore a significant constraint on firms. This point achieves KAA level 3.

The second paragraph, focusing on the increased competition from new firms, does make good use of figure 2, but the analysis isn't as clear and well-argued as in the first paragraph. As such this is marked as a good KAA level 2 point.

Overall, therefore, this answer achieves a low KAA level 3 mark, and as also mentioned, no marks for evaluation.

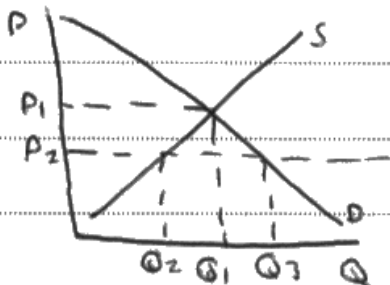


Remember there are four marks available for evaluation in any 12-mark question. Ensure you offer at least some evaluative comment so you can earn at least level 1 for evaluation, otherwise you are guaranteeing marks that you can't get.

(c) With reference to Figure 2 and Extract B, discuss the possible constraints on business growth for firms supplying energy to households in the UK.

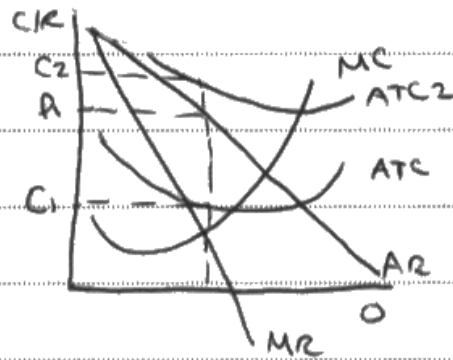
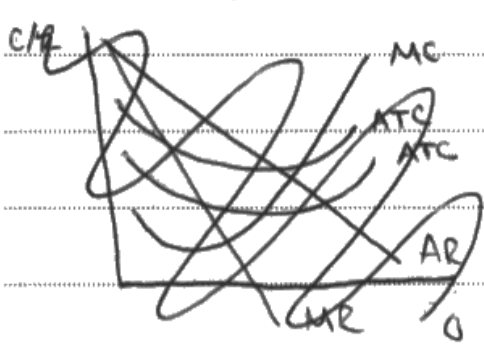
(12)

One factor reducing business growth for UK energy suppliers is government regulation. Extract B states that Ofgem only allowed a raise in prices of 5%, but the wholesale price of gas for suppliers rose by over 70%. This means that price is capped below equilibrium level for energy suppliers, shown below. This leads to excess demand at Q_3 while quantity supplied is at Q_2 . Therefore, producer surplus falls. As a result, UK energy suppliers gain less supernormal profit which could be used for expansion. However, this depends on whether the UK government takes short term action to prevent the collapse of energy supplier. Measures such as ~~sub~~ subsidies enable energy suppliers to cover the extra cost and remain above breakeven.



Another factor reducing business growth for UK energy suppliers is growing ~~fixed costs~~ costs of production. Figure 2 shows that the number of UK energy suppliers has grown from under 20 in 2004 to a peak of around 70 in 2018. This means that the market has become more contestable. This leads to competitive pressure to cut

As a result, rising costs of production is more likely to cause shut downs as firms are already supplying at a more competitive price point. Therefore,



as costs rise to ATC_2 , costs can exceed revenue

However, this depends on the initial contestability of the UK energy market. Seventy firms in a market nation-wide is still relatively monopolistic, therefore the firms may have retained profits to fund these rises in costs.



This is an excellent answer that offers good KAA and evaluation. The first point discusses regulation and clearly explains how the price cap is a key constraint on business growth, along with a diagram to back up the argument. This is also well-evaluated with the possibility of government intervention.

The second point, about the contestability of the market, is also well-written. Not quite as good as the first point, but still top level. It is also well-evaluated.

Overall therefore with this answer, it meets the criteria for the top level for both KAA and evaluation.

Question 1 (d)

In this question candidates need to discuss possible factors that explain the gender-based wage differences in the UK oil and gas industry. There is a lot of information that candidates can use to help them with this question in extract C – a good example of where the extract definitely is your friend. There are lots of points that candidates can use in their answer in this extract. Context is also important in this question – answers need to be focused specifically on the UK oil and gas industry, not just generic causes of gender inequality.

Chosen question number: **Question 1(d)** **Question 1(e)**

Write your answer here:

Gender-based wage differences has been a hot topic for decades. ~~Men and women are~~
~~get~~ Women are getting paid lower wages for the same roles which have caused many protests and creation of multiple organisation to fight for ~~the~~ women rights. In this essay a few factors that may explain wage-differences ~~is~~ in oil and gas sector will be discussed.

One possible factor that effect wage differences is under-representation of females in science/technology and engineering. ~~This~~ This is proved by data that shows that only 5% of applicants for technical apprentice schemes are females. This means that they are less skilled women than men in the market leading to ~~most~~ men getting more jobs because there is more ~~the~~ male labour to choose from. ~~More~~ More men in the industry

means that firms are more likely to employ men for better occupations as there is more chance of finding someone with enough skills. As it mentions in Extract C: ~~the~~ 'Women typically hold more non-technical roles, which can attract lower salaries' which proves that more important roles are usually trusted to men.

However, nowadays there are countless number of programmes to help women develop their ~~careers~~ careers in ~~the~~ technical areas. For example, 'Women in Engineering' offers lots of opportunity for females to start their career or education. This can make a significant difference in supply of female labour in oil and gas industry in the long run leading to less wage differences caused by lack of skills/education.

~~Another~~ Another factor that influences wage difference in oil and gas sector is experience. ~~As~~ As wage differences has been such a big problem in recent years and many programmes were created to help women get into these sectors, the decrease in wage gap cannot be seen immediately as most females have only started their careers recently therefore have less experience which affect their salary.

As men have been ruling oil and gas industries for decades most of the high occupations are taken by them which creates a huge wage gap between experienced male workers and new female employees.

However, this may not be the case because women made a substantial progress in the labour market since 1970s ~~and~~ but most of them take part-time positions which are generally lower paid. This resulted in the oil and gas industry having an average gap in hourly pay of 25%.

Overall, there are several factors that are worsening the wage gap between men and women in oil and gas industry.

However, one of the main arguments nowade is that the wage gap only exists because of the ~~the~~ stereotypical thinking that men are better at technology areas than women. ~~But~~ Luckily, in recent years a lot of big oil/gas companies such as Octopus started offering more opportunities for women to develop their careers and reduce the



This answer offers a reasonably good attempt to answer the question. Skipping the introduction, the first point has good application but falls down in terms of analysis – there is room for more detailed explanation here. This point is KAA low level 3. The evaluation is similar – almost there, just needs a little bit more development – this would be marked as low level 3.

The second factor, the lack of experience, has the same issue as the first point – pretty good answer, all correct, just not fully developed with the chains of argument. The second evaluation point isn't as good as the first one, it is less well-developed.

The last paragraph doesn't really add anything to the mark the answer is going to get and doesn't offer a judgement.

Overall this answer is low KAA level 3 and high evaluation level 2.



There is no need to write an introduction to your question – this is just using up valuable exam time that could be put to much better use.

Chosen question number:

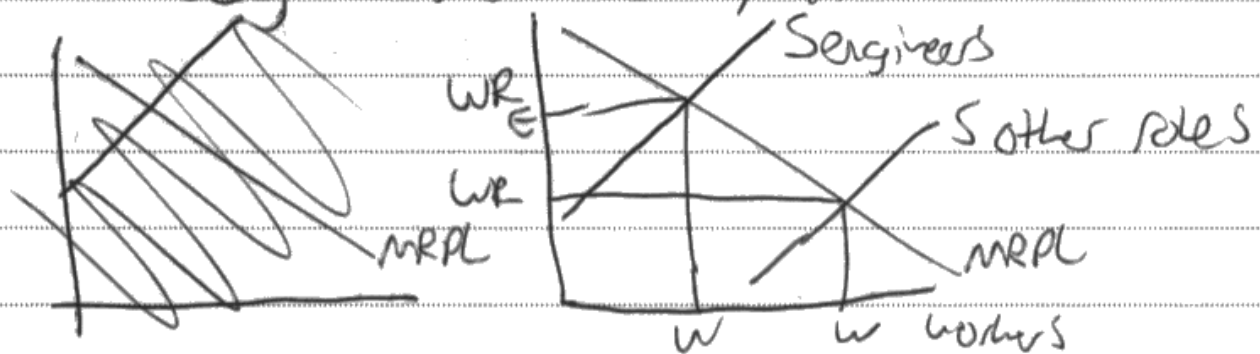
Question 1(d)

Question 1(e)

Write your answer here:

One reason why there are large differences for gender in the UK oil and gas industry is the ~~Actual~~ differences in skills and education between ~~the~~ ~~men~~ and women. In the UK, women are "underrepresented in science, technology, engineering and maths" including in "School leavers and graduates". As oil and gas is a highly skilled industry with massive focus on understanding on science and technology, the ~~highest~~ the high paying jobs in engineering and in technology may be filled by a higher proportion of men. As there are a higher proportion of men who study subjects which are relevant to the oil and gas industry. This could mean that women are

more likely to work in roles such as Finance, HR, or less technical roles, which may have lower pay than the more high paying engineering roles. This leads to the ~~the~~ Engineering is a more in demand and niche skill profession, ~~to~~ with strict requirements leading to lower supply, and a higher wage rate, as shown below, while other roles may be ~~easy~~ easier to fill.



As shown, even if engineers and other roles provide the same MRPL, lower supply in engineering makes it higher paid. However, there have been large pushes both by the government and by the oil and gas industry to recruit more women, which may suggest that there are a focus put on getting women into STEM roles. This may suggest the oil and gas industry may be more likely to prefer hire less women for other reasons.

Such as discrimination. ~~Highly often~~
~~and~~ It may also be more likely
that ~~the~~ ~~most~~ ~~experienced~~ women may
choose different careers ~~base~~ than men
based on ~~prestige~~, differing views on prestige,
as it may be seen as more prestigious
due to societal norms and stereotypes for
a woman to work in healthcare, or seen as
weird to work in oil and gas, meaning that
highly achieving women may avoid oil and gas,
preferring other industries leading to less
women achieving highly paid positions.

Another potential reason is the gendered
immobility of labour. It is more likely
for women to be ~~the~~ the person
in a relationship to raise ~~and~~ their
children, due to societal norms. This
may make it harder for women than for
men to work on oil rigs or ~~other~~
in ~~the~~ ports or facilities far by the
oil and gas industry, as it may
be harder to work part time in
these locations, which are ~~signifying~~
further away from large ~~settled~~ towns
and ~~in~~ ~~the~~ ~~local~~ ~~market~~ ~~in~~ ~~the~~ ~~local~~ ~~area~~ ~~for~~ ~~women~~

who are raising families to work in the oil and gas industry ~~and~~ and also look after a family, the same is true for men, but as men are less likely to be the one looking after children, they are likely more flexible to working in ~~the~~ far flung locations. Due to the distance of these rigs and gas fields from other places, they pay high salaries to attract people to stay in these locations and work there, leading to men being more likely to have high ~~salaries~~ salaries in these roles. However ~~it may be hard to~~ this would not be the case for women who have not yet had a family, ~~as~~ and they are more likely to ~~not~~ be able to work in the oil and gas industry if that is the case. As a high percentage of women never have families, this could suggest that the distance of these locations may not be the only factor stopping women working in oil and gas.



This is a high-quality top-level answer. It gets straight into answering the question, which is good exam technique. All the points discussed, both the KAA and evaluation, are all well-explained with step-by-step development of the points. There is good use of context, clearly making it specific to the UK oil and gas industry. Overall, therefore, this is an excellent example of what is needed to achieve KAA level 4 and evaluation level 3.



Don't feel you need to fill up all the pages in the exam booklet – this excellent answer is four pages long.

Question 1 (e)

This question is focused on the advantages of specialisation in energy production using gas. As such, the logical way to answer it is to discuss advantages as KAA and downsides as evaluation. Alternatively, evaluation could discuss the significance or limitations of the advantages, or similar. Again, good answers were focused specifically on gas production and not just on specialisation as a generic concept that could be applied to any industry.

One microeconomic advantage for a country specialising in energy production using gas is the increase in the number of firms entering the market. An increase in the number of firms supplying energy means that consumers will have more choices in ~~what~~ to which companies they would want to ^{purchase} ~~invest in~~ from. This could possibly encourage firms to be more efficient as ~~goods and services~~ the increase in competition means that consumers have more choices if they ~~do~~ don't like a service. Specialisation is the focus of producing one good or service. This means there will be an increase in the number

of ~~goods~~ energy produced. This energy could be sold for less now as demand would start to decrease. This means that costs firms could decrease as they would have enough energy to ~~last~~ produce more goods and expand their business. Ho:

However, it can be argued that it could lead to negative externalities such as damaged land and ~~the~~ contributions to global warming, which in the long run can be ~~more~~ damaging. This could affect other businesses. These externalities are going to increase the costs of ~~the~~ energy in the longer run affecting ~~some~~ business growth for businesses.

A macroeconomic advantage for a country specialising in energy supply is economic growth. Specialisation in energy production means that firms ~~are~~ production would increase and efficiency will ~~rise~~. ^{as costs would decrease} Efficiency and production rising means that consumption is also likely to increase, increasing aggregate demand. Consumption increasing means that firms will have more money to invest ~~it~~ back into production, increasing efficiency. Additionally, ~~the~~ corporate tax would increase

and the government would have more money to produce more energy for cheaper. Energy specialisation of energy may possibly attract business from other countries may invest in energy from the UK, increasing of exports.



The first point, focused on increased competition, is a low KAA level point. The evaluation of this point achieves a level 2. The next point isn't as good, only KAA level 2. There is a lack of a clear chain of argument and rather disconnected points.

Overall therefore this answer sits at the top of level 2 for KAA and only level 1 for evaluation. Although the evaluation point in this answer was awarded as level 2, there isn't any more evaluation and therefore it isn't consistent throughout the answer.



Make sure in a 25-mark question you have two KAA points and two evaluation points.

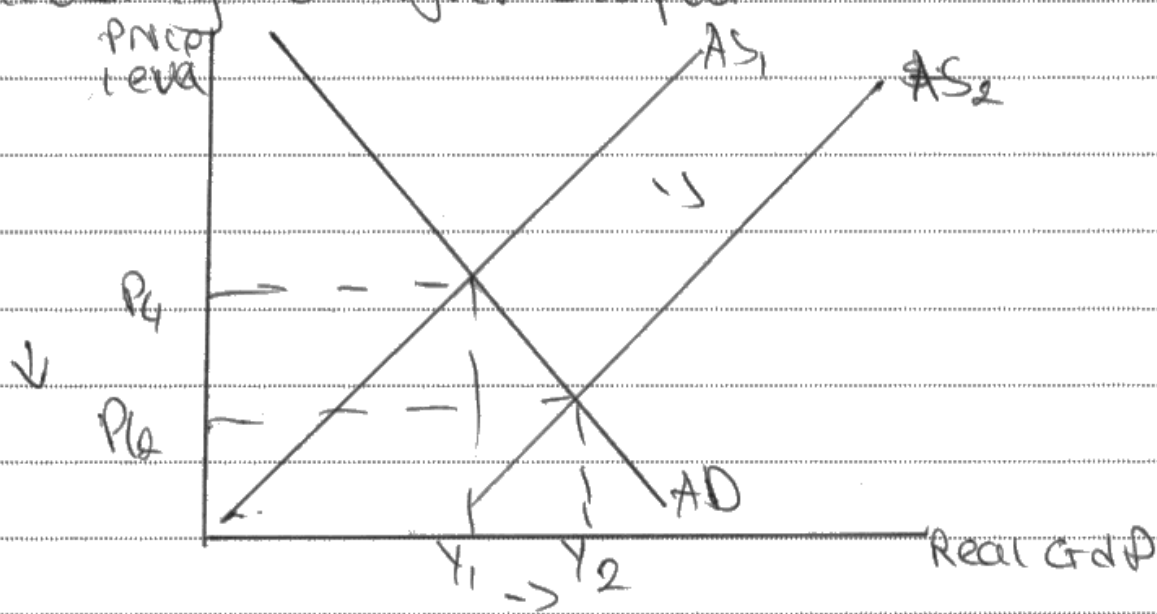
Specialisation ~~refers to~~ allows firms and countries to increase productivity and output by focusing on a narrow range of production, there would be many advantages in specialising in energy production using gas for a country, this essay will discuss those advantages.

~~Firstly, a microeconomic advantage of a country specialising in energy production would be increased profits for energy firms, specialising on a narrow range of goods in~~

Firstly, a macroeconomic advantage for a country in specialising in energy production using gas would be economic growth,

specialising in energy production for a country like the UK, would mean they focus ~~more~~

large amount of their resources in the production of energy, through specialisation the UK would be able to increase output as, ~~the resource~~ ~~methods~~ energy production methods become more efficient as firms would be able to split up tasks within their firms, and production process may be split across the whole economy, this leads to increased productivity at each stage of production leading to higher output

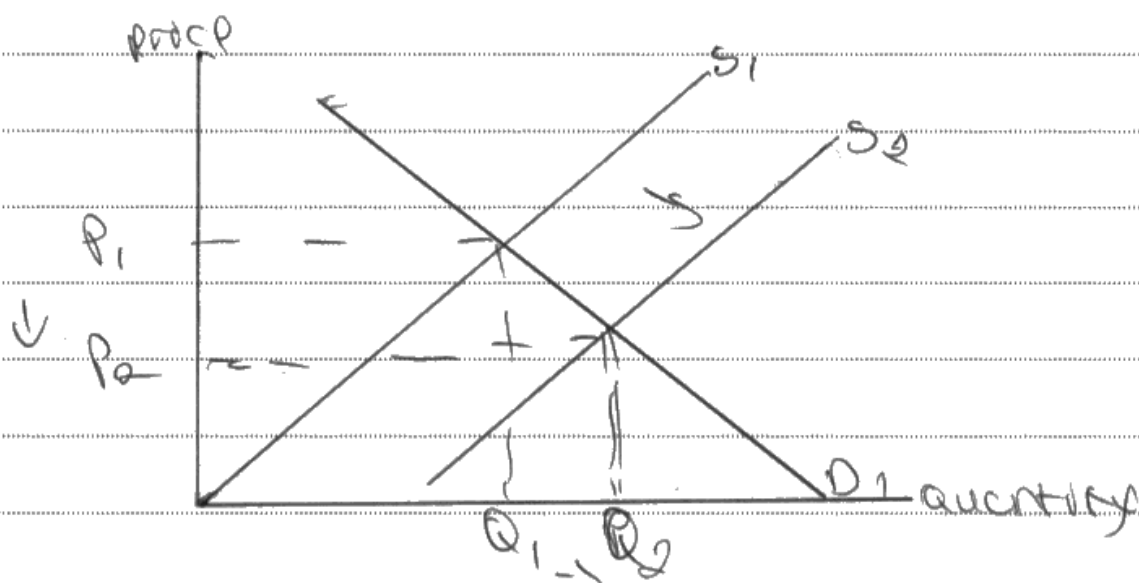


This increase in output leads to a shift in aggregate supply outward to AS_2 leading to a fall in the price level and increase in real GDP to Y_2 , specialising also means the UK would be able to trade the excess energy makes with other countries leading to a rise in exports, this could

lead to a better current account position ~~which~~ as the deficit would be reduced, ~~this~~ ^{from} ~~the~~ 4.2% of GDP it currently stands at.

However, specialisation may not lead to increased output if the UK does not have a comparative advantage, ~~substituted~~ moving factors of production to energy production using gas may not lead to increased output as there may not be a constant returns to scale, and some of the factors of production would not be suitable for energy production, if the UK does not have a comparative advantage in energy production, it would lose out on production in what they actually have a comparative advantage in, and they may not see the benefits of increased output, there might also be trade restrictions from other countries on UK exports, which limits the amount of surplus they can trade, reducing the amount of growth seen.

Secondly, a micro economic ^{advantages} ~~effect~~ of specialisation in energy production would be lower prices and increased quality of energy for consumers,



from the diagram specialisation by all energy firms leads to them gaining more efficient production methods, allowing them to reduce cost of production, leading to an increase in supply of energy to S_2 , this leads to a fall in price to P_2 , meaning consumers would see a fall in their energy bills, this increases consumer surplus, consumers ~~also~~ also benefit from increased quality of energy, ~~this could be seen as cleaner~~ ^{as energy producers become more efficient,} ~~energy supply~~ an increase in the number of energy firms due to the UK specialising, would also lead to an increase in choice for consumers.

However, an increase in the ~~to use~~ ^{use} of gas for electricity production leads to huge disadvantages and negative externalities for consumers as there would be an increase

IN CO₂ EMISSIONS FROM FIRMS, ~~HERE MIGHT~~ CONSUMERS MAY BE AFFECTED BY THIS IF CLOSE TO THESE ENERGY MANUFACTURERS, FIRMS MAY ALSO CHOOSE NOT TO LOWER THEIR PRICES OR SUPPLY MORE ENERGY, AND THEY MAY CHOOSE TO STORE THE ENERGY IN ORDER TO SURVIVE DURING ECONOMIC DOWNTURN.

FINALLY, A MACROECONOMIC ^{ADVANTAGE} ~~EFFECT~~ OF INCREASED SPECIALISATION WOULD BE INCREASED GOVERNMENT REVENUE, AS FIRMS ARE ABLE TO PRODUCE MORE AND INCREASE PROFITS, THE GOVERNMENT MAY CHOOSE TO INCREASE THE LEVEL OF CORPORATION TAX FOR THESE FIRMS LEADING TO INCREASED REVENUE, THE INCREASE IN EFFICIENCY AND LOWER COSTS FOR FIRMS WOULD ALSO ALLOW THEM TO HIRE MORE WORKERS, LEADING TO A FALL IN THE UNEMPLOYMENT RATE, CURRENTLY AT 4.2%, THIS WOULD MEAN THE GOVERNMENT WOULD GAIN MORE INCOME TAX REVENUE AND MAY SEE A FALL IN WELFARE BENEFITS SPENDING THIS WOULD HELP REDUCE THE ~~ALL~~ BUDGET DEFICIT CURRENTLY AT 4.2% OF GDP,

Overall, there are ^{likely} going to be less advantages than disadvantages for the UK in energy specialisation using gas due to the lack of comparative advantage and externalities, the UK also has significantly less production power using gas than countries like Russia and may be outcompeted by such countries, ~~the~~ other factors like structural employment due to the decline in other industries will also need to be taken into account in order to weigh up the advantages.



Skipping the first paragraph, the candidate's first KAA point starts at the bottom of the first page and extends onto page 3, with a focus on how economic growth is likely to occur as specialisation increases exports. It is good to have the AD/AS diagram to back up the argument. This is a good example of KAA level 4. It is also well-evaluated in the next paragraph with clear step-by-step explanation.

The second KAA point is still pretty good but not quite as well-explained. It is good to have a diagram here, but it would have been better if the consumer surplus area(s) had been labelled. This point is top level KAA 3. It is again well-evaluated with top level evaluation.

The candidate has then gone on to write a third KAA point, which is also a solid KAA level 3 answer, but this isn't going to increase the overall mark as they have already two points of a similar and slightly better standard.

There is also some evidence of a judgement in the final paragraph.

Overall this answer achieves top level for both KAA and evaluation, although only just into the top level for the KAA.



Definitions are not needed for questions such as this. If you do not know what specialisation means, it is highly unlikely that you will be able to write a good answer to this question. If you do, this will be obvious from what you have written, and therefore you don't need to prove that by defining it.

Question 2 (a)

In this 5-mark question, the focus is on WHY a country might operate a managed exchange rate. There are also marks available for an understanding of what it means for a country to have a managed exchange rate. As with question 1a, there are three marks available for knowledge/analysis and two marks available for application.

Again as with question 1a, many 4/5 answers were because candidates has only included one application point in their answer.

A country might operate a managed exchange rate in order to reduce macroeconomic instability. A managed exchange rate is not determined by market forces but by a central bank who may choose to peg their currency against another. Since the liberalisation of Ghana's exchange rate, the cedi has depreciated 98% against the US dollar. This would have caused macroeconomic problems in a nation like Ghana as now their imports are more expensive, and they tend to import expensive capital equipment and other specialist equipment, like healthcare, from more developed nations. This may mean that Ghana may not be able to afford such capital machinery to improve their production of cocoa. Therefore, Ghana may not be able to increase their share of the cocoa market, of which they contribute 18%.



This answer achieves the full 5 marks. It talks about central bank control of the currency and explains why a country may wish for a managed exchange rate because of the cost of imports. It has good application referring to the 98% depreciation in the cedi and Ghana's cocoa market.

A managed exchange rate is when the ~~government~~ ^{country} has control over its exchange rate. The benefits of having a managed exchange rate is to reduce ~~instability~~ instability. A floating exchange rate is very ~~volatitem~~ volatile and experiences constant fluctuations, which disincentivises firms from investing and exporting as they are uncertain about their returns. A managed exchange rate would provide stability and confidence for businesses and consumers, which is ~~less~~ likely to lead to economic growth.



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Examiner Comments

This answer achieves the three marks for knowledge/analysis. It talks about having control over the exchange rate and explains clearly why a country might want to have a managed exchange rate, in terms of instability, confidence, and economic growth. However, there is no application in this answer and so its overall score is 3/5.



ResultsPlus
Examiner Tip

Remember there are two marks for application here.

Question 2 (b)

This question asks for two likely problems for the expansion of the chocolate industry in Ghana. There are many problems that could be discussed, and the extract offers several that candidates can write about, as well as offering several things to quote for the application marks. Some candidates misread the question and discussed the macroeconomic problems for a country as a whole of being dependent on the cocoa industry. These answers generally achieved very few marks.

As with question 1b, candidates should remember that there are two marks in this question for each of knowledge, application, analysis, and evaluation.

One likely problem for the expansion of the chocolate industry in Ghana may be the inconsistent supply of energy in these rural, manufacturing regions. Indeed, the instability of energy supply in these regions is likely to mean that supply, and ultimately prices are volatile. This will make it very difficult for firms to operate, and for global trade to be established, due to lack of knowledge about the level of supply at any given period.

Another likely problem is the need for imported products in order to contribute to the production of ~~the~~ ingredients needed for chocolate production. Indeed, this highlights two problems: the first ~~is~~ being the transport costs that Ghanaian entrepreneurs already talking "substantial ~~of~~ funds" will have to deduct from their revenue, and also the constant need for

foreign reserves to purchase these inputs. Indeed, countries would expect Ghana to pay using their own currency, meaning that foreign reserves will need to be constant. Indeed, both these problems highlight massive issues for Ghanaian firms that ~~are~~ are ~~that~~ already ~~are~~ lacking capital to afford machinery.



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Examiner Comments

This answer achieves a total of 6/8. In the first paragraph there is clear knowledge referring to inconsistent supply of energy, swiftly followed by application of this, and then analysis explaining why this is a problem for the expansion of the chocolate industry in Ghana. The second paragraph is very similar – knowledge for the need to import products, application for 'substantial funds', and analysis again for the explanation of this point. There is no evaluation anywhere in the answer giving a total of 6/8.



ResultsPlus
Examiner Tip

Remember there are two marks for evaluation in an 8-mark question.

One likely problem for the expansion of the chocolate industry in Ghana is the cost and expense of production which may be difficult in a developing country like Ghana.

The chocolate equipment is 'very expensive', as stated in Extract E. This means there is a high fixed cost for ~~the~~ firms in the chocolate industry, which means that high output, costs will stay high.

Another likely problem is the inconsistent ^{of energy in} supply in rural parts of Ghana'. This may be due to ~~unreliable~~ weather conditions or ~~high~~ ^{cross} ~~subsidy~~ schemes that don't allow for high supply levels. This decrease in supply will lead to the industry having to raise prices because they need to keep revenue at the highest they can, ~~or~~ ~~alternatives like 'marketing tea and wine' may start to~~ ~~become more attractive for the producers.~~

However, to evaluate, despite the problems of poor energy supply in rural parts of Ghana, there are alternatives such as 'marketing tea and wine' which can generate 20 times more revenue. So there is also alternatives if there is a lack of supply elsewhere.



This is a full marks answer, clearly doing exactly what is required of the candidate, in a concise and clear way – only one page long. The first paragraph identifies the point of cost of production, applies it quoting from the extract, and clearly analyses what this means. The second paragraph does the same with a point about the inconsistent supply of energy. The final paragraph offers clear evaluation, suggesting the possible alternatives, and gains the two evaluation marks available.

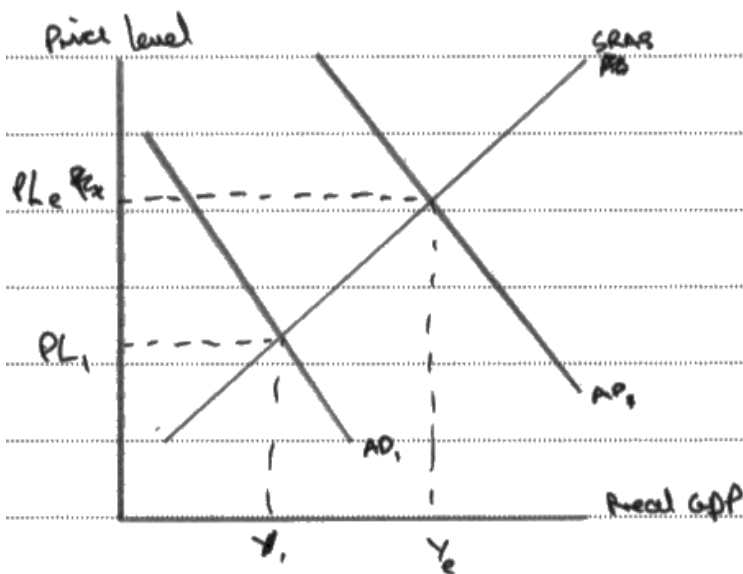


Notice how this is a concise answer but gets full marks. It does exactly what is required to get the full marks and nothing superfluous.

Question 2 (c)

This question asks candidates to discuss factors influencing the level of aggregate demand in Ghana and specifies that they draw an AD/AS diagram. If a candidate does not draw a diagram, they are unable to achieve level 3 for KAA. Any AD/AS diagram is acceptable. The route that many candidates took on this question was to consider the aggregate demand formula of $C+I+G+(X-M)$ and discuss two of these, but other factors were also valid. It should be noted that the question is in the plural – it is asking for factorS, and so candidates need to write about two different factors to access KAA level 3. There are four marks for evaluation on this question, so candidates need to ensure they have offered some clear evaluation in their answer, with some development of their point.

Aggregate demand is the overall demand for all goods & services within a ~~country~~ country's economy. The components that makes up AD are consumption of domestically produced goods, investment, government spending & net exports. As Ghana is quite a rural area, ~~their~~ their main source of AD is net exports as the agricultural products they produce are sold to other countries which are ~~then~~ processed & sold for much more profits by European firms. This leads to a primary product dependency as the agricultural ^{goods} products they produce provide a large ~~majority~~ majority of their GDP allowing ~~them~~ to so when they have a bad harvest ~~it~~ it will lead to quite a drastic fall in



AD from $AD \rightarrow AD_1$, leading to a fall in real GDP from Y_2 to Y_1 . ~~Aggregate demand~~

~~Another factor~~ Another factor influencing AD would be investment levels from abroad & ~~the~~ domestically as Ghana is still developing investment should be quite high to improve the country's economic power. By doing so



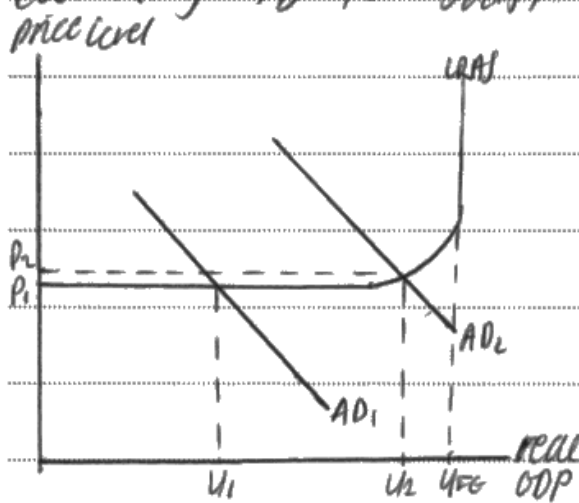
The first point in this answer is well-argued and includes a correct AD/AS diagram, achieving low KAA level 3. The second point is very brief and doesn't go beyond KAA level 1. Overall therefore, this answer is KAA level 2.

There is no evaluation in this answer, so the candidate cannot achieve those four marks.



There is no need to define things such as aggregate demand in a question like this – just focus on answering the question.

One factor influencing aggregate demand (AD) in Ghana is the new trade block agreement in Africa. This includes a 90% removal of tariffs on goods introduced by the AfCFTA. This results in trade moving more freely and lower times at borders to improve the productivity of trade. This may result in an increase in exports ^{from} Ghana, which would improve the net trade of Ghana's AD as $AD = C + I + G + (X - M)$, therefore causing AD to shift to the right from AD_1 to AD_2 .



this improves ~~the~~ economic growth as ~~there is~~ a rise in real GDP from Y_1 to Y_2 .

Furthermore, this causes a reduction in unemployment,

this means that more

workers have more money to spend, this will cause AD to rise more as people are spending more which is consumption as a component of AD. This will improve naturally as C is 60% of AD, so there would be

a large increase in AD, stimulating economic growth further.

However, this depends on whether exports increase for Ghana, if imports were greater than exports then AD would decrease as net trade has reduced causing AD to fall as it is a component of AD.

As well, another factor influencing AD is that the value of cedi in ~~the~~ Ghana has depreciated, this means that by 98% against the US\$, this means that in countries like US it's much cheaper to buy exports from Ghana so are able to buy cocoa beans for chocolate as there are 7.2% chocolate produces in the world in the US. This ~~will~~ causes AD to rise as improves net trade where ^{it's} exports - imports. This means there would be growth in AD shown in the diagram before, this results in real GDP rising, therefore, economic growth improving and causing Ghana to get closer to full employment.

However, the price of cocoa in Ivory coast may be more relatively cheaper as they grow 46% of all cocoa in the world,

therefore a depreciation may not result in more exports from Ghana being bought.



ResultsPlus
Examiner Comments

This is a high quality answer that does an excellent job of answering the question. The first point focusing on removal of tariffs through joining the AfCFTA is really nicely explained with good step-by-step explanation, along with application such as the 90% reduction in tariffs as well as an accurate AD/AS diagram. This is clearly top level KAA. The evaluation of this point is also clear and well-argued.

The second KAA point, focusing on the depreciation of the cedi, again is clearly applied to Ghana by referencing the 98% depreciation. Analysis is clear and well-argued. The evaluation is also relevant and developed.

Overall this is a high quality top level answer for both KAA and evaluation.



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Examiner Tip

Remember to make sure you have two KAA points in a question such as this.

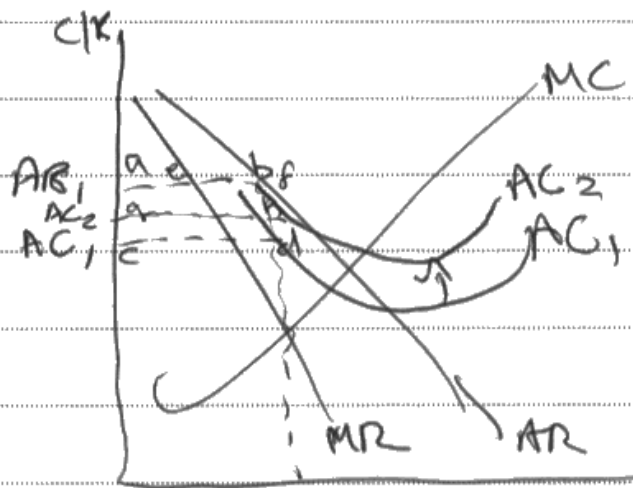
Question 2 (d)

The focus in this question is on effects of HIGH interest rates. That is a key word in the question. Candidates also need to make sure their answers are relevant to Ghana or another developing country. Answers discussing countries such as the UK and monetary policy here whilst still getting credit for relevant points are not going to be able to access the highest marks as this isn't answering the question.

As with all the 25-mark questions on paper 3, candidates need to make sure they write about both macroeconomic and microeconomic effects. Common micro effects tended to focus on higher costs for businesses in Ghana, making it harder for them to expand and benefit from economies of scale, or to invest and lower their production costs. Macro effects often focused on either consumers or firms. In terms of consumers, the increase in savings and reduction in borrowing and the subsequent impact on consumption was a logical chain of argument. Similarly for firms, the lack of investment was a common discussion. These points then led onto a reduction in aggregate demand. Many good answers illustrated this with an AD/AS diagram.

Candidates should remember that whilst higher interest rates would be likely to attract increased hot money flows into Ghana's banks, this is not the same thing as foreign direct investment. There were a number of answers that confused these two things as being the same.

one microeconomic factor of high interest rates would be very low borrowing and low amounts of capital available for firms so they can invest. This is shown by a farmer stating 'you cannot grow a business when you have to service interest rates of 18% ~~to~~ 20% or even more! This shows how start up companies can't access the capital they need to buy new technology and ~~to~~ equipment to improve production processes and promote more dynamic efficiency and re-investing profits back into their firms. Therefore, one microeconomic factor of high interest rates would be high costs and low access to capital so decrease in investment ~~is~~ ⁱⁿ demand.



The high costs for firms can decrease Supernormal profit

So decrease their chances of being able to invest.

Therefore, may not

be able to reduce

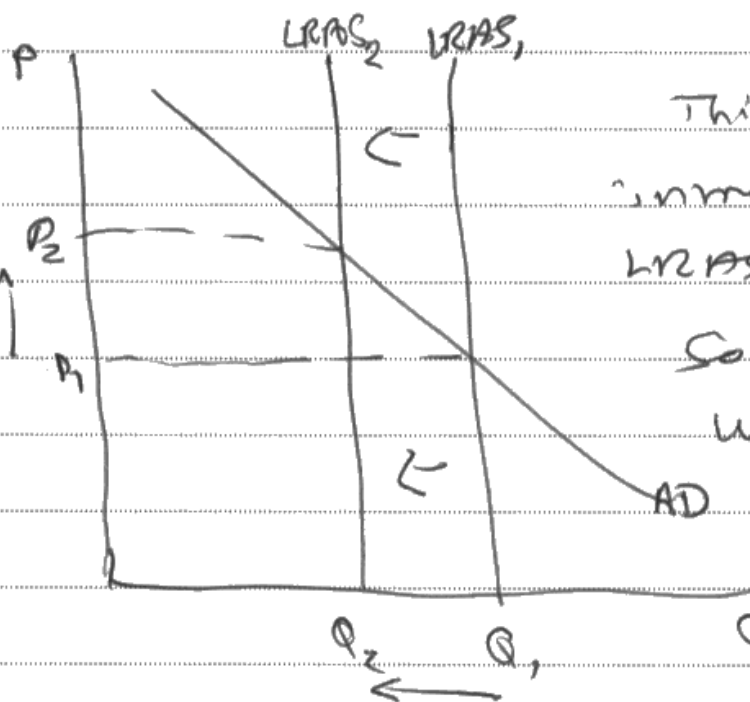
average costs and

promote dynamic efficiency

Decrease in Super-normal profit from box ABCD to EFGH.

However, due to these high interest rates there is less risk for banks and more who take out loans can pay them back. This is shown by the fact that 'high interest rates are an issue for start-up businesses'. This shows how China may not want small firms taking loans and not being able to pay them back since this can leave banks with less interest payments and small firms may have to shut down since they can't pay ~~high~~ the repayments. Therefore high interest rates promote systematic lending and reduces risk for governments.

One macroeconomic ~~factor~~ effect of higher interest rates would be that firms won't be able to keep up with overseas countries in producing chocolate. This is shown where 'producing chocolate requires consistent refrigeration, and the high costs of equipment to achieve that is a major obstacle.' This shows how they cannot borrow to finance the need of new technology and equipment so the comparative advantage the once has with producing chocolate will go away since they don't have the resources or equipment to keep up with other firms internationally. Therefore, high interest rates affects firms in various ways negatively since they won't be able to borrow capital to improve production processes.



This graph shows high interest rates lead to LRAS shifting inwards. So ~~many~~ prices go up and quantity produced decreases so less productivity efficient Q and leads to economic decline.

However, the African countries are forming a trading bloc promoting free trade so can minimise importing costs so make equipment and technology more affordable. This is shown where 'the agreement commits countries to removing tariffs on 90% of goods, with other goods to be phased in later'. This shows how due to lower costs of importing firms may not need to take out loans to finance new equipment purchasing so they can purchase new equipment from neighbouring countries improving ~~the~~ Ghana's trade balance since import costs have decreased and production processes can improve. Therefore, high interest rates would not affect firms due to the creation of this new trading bloc promoting free trade.

~~It~~ It depends on how much Ghana need the finances and if they are just slightly ~~and~~ behind in production processes capital is not fully necessary. However due to the creation of trading blocs they can buy new equipment for a cheaper price so interest won't affect them as

buy new equipment but the new trading bloc the AFTA would help lower costs of imports decreasing influence and effect of interest rates on firms.



ResultsPlus
Examiner Comments

This is an excellent quality, top level answer. The structure of the answer does what is required in a 25-mark question. There are clearly two KAA points, one macro and one micro, both of which have been evaluated effectively. The first KAA point quotes the extract and makes good use of the cost/revenue diagram to illustrate the impact on a firm's supernormal profits. The second again makes effective use of a quote from the extract to ground the answer in Ghana and explains the effect on the macroeconomy.

The evaluation isn't perfect and is a little repetitive at the end rather than providing a judgement, but nonetheless this is still top level for both KAA and evaluation.



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Examiner Tip

Stick to a structure such as in this answer and use paragraphs to make the separate parts of your answer clear to the examiner.

Interest rates are a form of monetary policy and are set by a country's central bank, with their greatest impact being on the price of loans.

One key microeconomic effect is an increased cost of production on firms. For a firm to grow they are likely to require machinery to improve production processes. This is costly and may require a loan. High interest rates increase the cost of borrowing which firms may not be able to pay. This limits economic growth however this depends on what interest rate already are and by how much interest rates rise. In developing countries interest rates tend to be high already 18-20%. Central banks are unlikely to be able to

raise them 'by much more'

One macroeconomic effect of ~~the~~ high interest rates is a decrease in investment.

~~High~~ High interest rates increase the cost of borrowing which limits the ability to invest. As a component of AD, limited investment lowers aggregate demand. This results in a contraction of the economy. However, ~~extra~~ ^{the} states that the government has pledged to address structural issues ~~that~~ ^{and} alleviate the pressure on business to borrow allowing them to grow.

In judgement, high interest rates negatively impact the economy of a developing country as it limits its potential for growth.



Skipping the first paragraph which is simply a definition, the first point in this answer focuses on increased costs of production for firms. It does explain correctly the chain of argument but it is brief and lacks much development. There is also no context. The evaluation of it is present but again rather limited in its development.

The second point is of a similar standard – correct but lacking the chains of argument needed to progress beyond level 2 for KAA and evaluation. The candidate has also not used any diagrams to enhance their explanation – whilst not required, this can be a good way to help develop the chains of argument in an answer.

Overall this answer is a solid KAA level and a low level 2 for evaluation.



There is no need to explain what an interest rate is in this question – that should go without saying.

Put evaluation in a separate paragraph so it is clearly signposted to the examiner.

Question 2 (e)

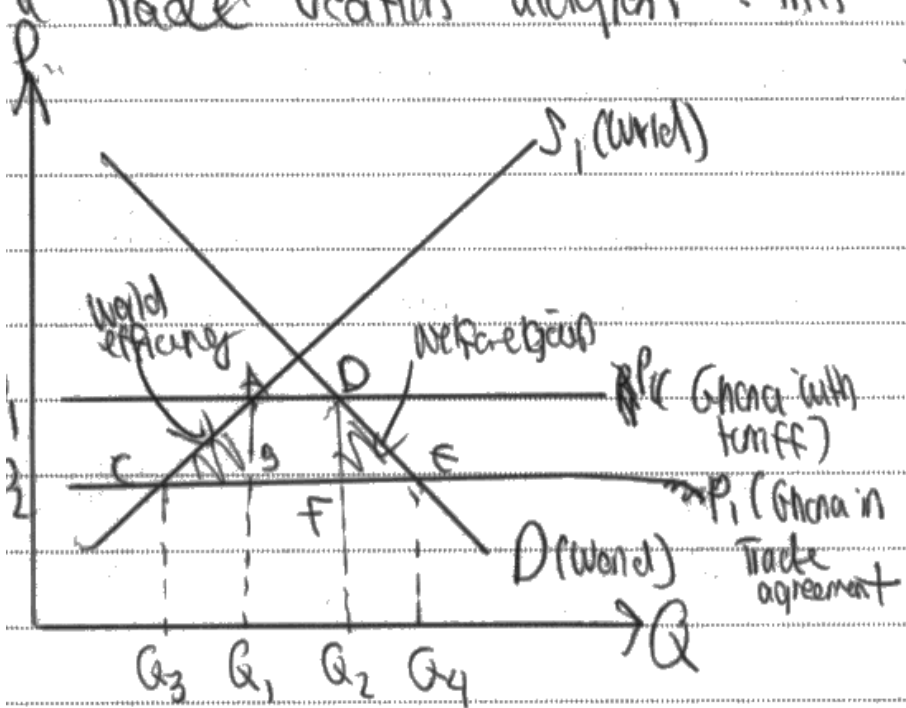
This question is focused on the effects of Ghana joining the African Continental Free Trade Area. Common points candidates wrote about include trade creation (often evaluated by discussing trade diversion), increased exports from Ghana to other members of the trade bloc, and possible improved freedom of movement for capital and labour across Africa. Candidates also often drew a diagram showing the impact of a reduction or removal of tariffs on the price of a country's exports. Common evaluation points often focused on how this is reciprocal – and so whilst firms in Ghana may be able to export more to other countries, firms abroad will also be able to export to Ghana more cheaply than before due to the removal of tariffs.

Answers also needed to have a focus on Ghana joining the African Continental Free Trade Area and not just generic benefits of joining any trade bloc.

Ghana joining ACFTA ~~has~~ can have many benefits. The micro benefit is that it firms can increase their profits. A macro benefit is that it will increase FDI into Ghana. However, joining a union does lead to less freedom in some regards as dependent on these countries for trade.

The micro economic effect is an firms increase their profits. This is as it results in trade creation ~~to~~ which is when firms move from being a high cost producer to a low cost one. This is since joining the Agreement, ~~the~~ Ghana is not subject to tariffs and quotas on their goods.

This is exemplified in ~~text~~ extract F that states
 countries remove 'tariffs on a rev. of goods'. This
 means increase in profits which can be seen on
 a Trade creation diagram. This shows as they
 join the ACFTA



this results in
 a fall in price
 from P_1 to
 P_2 . This is
 as no longer subject
 to tariffs
 and quotas.

The ~~supply~~ demand increases from
 Q_2 to Q_4 due to price competitiveness
 and supply ~~contracts~~ contracts from Q_1 to
 Q_3 due to increased competition in the
 market. This results in increase in world
 efficiency as shown by ABC. Furthermore,
 there is welfare gain of DEF.

This means there is an increase in
 consumer surplus which means consumers
 may have more money to save
 and put into banks. This is beneficial
 for making banks lend out more
 money to aid investment. Ultimately,

~~However~~, increase in quantity causes increase in output and sales. ~~So~~ Thus, increase in profits which can be re-invested into research and development. It. for Ghana chocolate industry to be able to have its own manufacturing capital.

However, joining may not be that beneficial ~~due~~ due to the countries involved. As it is the ACETCA, this includes significant number of developing economies. Therefore, the significant increase in trade ~~for~~ to aid in improving these country's lack of capital accumulation is low. This is as these countries mostly trade in primary ~~and~~ commodities. This leads to a ~~the~~ Ghana being in a perpetual cycle of ~~primary~~ primary commodity exports instead of manufactured. Thus, this alliance may not benefit growth for Ghana, but rather hinder development. ~~For example, West Coast Rwanda also~~

The macroeconomic effect of joining the AFTA is increase in FDI. ~~That is not~~ ~~can be explained~~ ~~by~~ ~~the~~ ~~model~~ ~~which~~ ~~states~~ ~~that~~ ~~countries~~ This is as FDI is more likely to set up in countries where there are favourable trading terms like no tariff. This is as it decreases the barriers to entry thus lowering costs to trade and produce. This is beneficial for developing countries as one, investment is a component of AD, this means that AD will increase. Moreover, this will ~~increase~~ result in increase in employment thus will increase government revenue gained from tax. This can then be redistributed into areas like education and training, this helps to diversify Ghana's economy from primary product dependence. Furthermore, ~~AD~~ ~~is~~ ~~also~~ investment is also a part of the GFCI, ~~thus~~ ~~with~~ ~~an~~ ~~injection~~ ~~will~~ ~~cause~~ ~~a~~ ~~positive~~ ~~multiplier~~ ~~effect~~. To compound the analysis, FDI may bring in more infrastructure to Ghana as they are incentivised. ~~to~~ ~~make~~ ~~their~~ ~~businesses~~ For example, if a hotel sets up in Ghana, they may want to construct a road between the airport and

help to ensure happiness of customers. This results in external economies of scale whereby the neighbouring Ghanaian businesses can benefit. This would make their transportations more efficient. Furthermore, it reduces geographical immobility as it is easier to get from one place to another.

However, FDI is not a reliable source as they are flight-prone. They may just use Ghana's favourable trading terms and send the money back home. Moreover, they may also repatriate profits. Therefore, Ghana's government is not gaining any significant tax revenue. Overall, FDI may not be the most significant benefit.

Overall, Ghana joining the free trade agreement depends on the ^{what} ~~other~~ ^{the other} countries' offer. In this case, it is more concerning when Ghana is being held back by the agreement. An agreement with a manufacturing country may have been more useful to help them.

increase the capital accumulation.
Moreover, the FDI effectiveness depends
on their loyalty to the ~~country~~ country which
is typically nonexistent. Therefore, FDI
will not be most significant benefit. ~~as~~
Therefore, joining the agreement is not that
helpful for Ghana and does not
maximally increase their economic
growth + development.



ResultsPlus
Examiner Comments

This is an excellent quality, top level answer for both KAA and evaluation. There are two points, the first being micro and the second being macro. Both are really well explained with clear step-by-step explanation and good use of diagrams to illustrate the points, as well as context making it specific to Ghana and the African Continental Free Trade Area. There is more explanation of the points than was needed to get the top level, but nonetheless you can see how clearly argued the points are.

Both points are also very effectively evaluated and the candidate offers a clear judgement at the end of the essay, something which many candidates struggle to do, and simply end up with a repetition/summary instead.



ResultsPlus
Examiner Tip

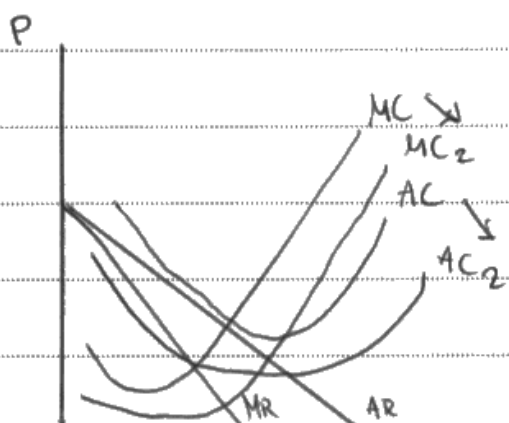
You do not need to do an introduction in 25-mark questions, save yourself some time and get straight on with answering the question.

Free trade agreements are where countries decide to reduce protectionism to increase frequency and quantity of trade.

The first macroeconomic effect is the increase in trade creation as there are lower tariffs and quotas meaning Ghana pay 90% less of the tariffs this increases their access to goods and services, this can stimulate economic growth as there is a greater supply of goods available at a lower price meaning an increase in standards of living, whilst some areas of the economy become more developed and lead to greater ~~employment~~ employment opportunity and stimulate the circular flow of income. This may lead to greater demand pull inflation as the quantity of people with the available income rises meaning firms increase price to increase profit margins, whilst government increase revenue through taxation resulting in increased spending to develop infrastructure to further enhance trade and reduce waiting times.

However ~~AFT~~ ACFTA creates trade diversion with out countries outside the trading bloc this means that there is greater imposed tariffs on exports such as cocoa to germany and belgium which may significantly reduce export revenue as those of other countries find cheaper alternatives causing a decrease in 15% of cocoa grown. But also makes it more expensive to import from the USA or China ~~AS~~ which may slow economic growth as there is less supply of required goods meaning less consumption and as a result reduced AD and stimulation of the circular flow of income.

The first microeconomic effect is the lower import tariffs result in a decrease in firms variable costs, this can allow them to reinvest and increase efficiency as they improve skills of human capital but increase technology to enhance economies of scale. This would reduce competition as firms can lower prices in the long run to reduce create high barriers to entry as brand loyalty is developed. It also means that firms would increase ~~profitability~~ demand for labour as increased derived demand as demand for products increase as a result of greater incomes.



The graph outlines a fall in the marginal and average costs as the tariff decrease reduces variable costs

However the disadvantage of this to the individual firm is that the lower import tariffs may result in price increases to sustain profit margins as countries within ACFTA as a larger proportion of countries are low income. So it massively depends on elasticity of price as some countries may not be able to afford Ghana's goods and services which may create inefficiencies as new trade relations also interfere with production quantities.

Another Macro-economic benefit of the trading bloc is greater international competitiveness as lower tariffs increase the foreign demand for cocoa which means greater export volumes and favourable terms of trade, this can result in greater investment as FDI is attracted which could increase the skills of the labour force to increase output and develop technology that was previously affordable to increase efficiency. This creates potential employment stimulating a positive multiplier effect.

My overall judgment is that Ghana joining the ACFTA is a huge positive as more countries have access to purchase their natural resources at a lower cost etc. creating more economic input, but does reduce trade to outside the trading bloc which massively influences on trade relations and creates external countries are within the new higher net's.



The first point in this answer, focused on trade creation, offers a good explanation of the point but the chains of argument could be slightly clearer and there is little application. This is reasonably well evaluated but it should be clear that this isn't to the same level of depth of argument in the other example. The second KAA point, focused on decrease in costs for firms, is very similar to the first – pretty well-explained but not quite there in terms of explanation or application to get to KAA level 4. The evaluation is a bit unclear and vague, so only worthy of level 1. The candidate then goes on to make a third KAA point but, as this is of a similar standard to the first two, it doesn't gain them any more marks. There is some evaluation in the final paragraph but it's not a clear judgement.

Overall this answer achieves level 3 for KAA and level 2 for evaluation.



You should be aiming to do two KAA and two EV points, along with a judgement, in a 25-mark question. Writing a third KAA point of a similar standard to your first two points won't get you any more marks and probably means you haven't had time to write your points in sufficient depth to access the higher marks.

Paper Summary

In general on this exam paper candidates were familiar with the content and theory that they needed to discuss and the main issues holding them back were actually answering the question that was set and focusing on applying the economic theory they knew well to the real world economy. Candidates need to be wary of launching straight into answering a question before they have spent a minute or two jotting down a quick plan/having a short think about how they are going to answer the question. There is a risk that candidates end up answering a question they had written in class or are familiar with, rather than the actual question in front of them. In terms of relating to the real world, some candidates need to make better use of the case studies they have been provided with. These are there to help you, and you should have in your mind the phrase 'the case study is your friend'. First of all, read through the questions so you know what you are writing about. Then look at the figures and extracts and think about how you can use them to help you answer the questions. You are also more than welcome to bring in your own knowledge from your lesson studies and wider economics reading. All the questions in this exam paper require application so it's important that answers aren't solely theoretical.

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

- Use data in every question in the exam paper.
- Use diagrams where they will aid your argument and illustrate the points you're making.
- Keep track of time – be clear about how much time you should spend on each question and ensure you allow sufficient time for reading the extracts and planning your answers.
- Do NOT try to guess what questions are likely to come up on the exam, and even more importantly, do not waste valuable revision time listening to people on the internet playing 'guessing games'. There is danger with this that, first of all, you waste your time focusing too much on specific areas of the course, and secondly that you are distracted by what you were watching/reading the day before instead of what is in front of you in the exam paper.
- Do NOT feel you need to try and link every question to both microeconomic and macroeconomic concepts – this leads to some very strange answers. It is only in the 25-mark questions where candidates need to ensure they have microeconomic and macroeconomic arguments. Although again, these don't need to be weaved together into one point – most candidates will make one microeconomic point and one macroeconomic point.

Grade boundaries

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

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

