

ECONOMICS

Paper 2281/01

Multiple Choice

<i>Question Number</i>	<i>Key</i>	<i>Question Number</i>	<i>Key</i>
1	A	21	B
2	C	22	C
3	C	23	D
4	C	24	D
5	B	25	A
6	A	26	C
7	A	27	D
8	D	28	D
9	A	29	C
10	D	30	D
11	A	31	A
12	D	32	B
13	B	33	A
14	B	34	C
15	D	35	C
16	C	36	C
17	D	37	C
18	B	38	C
19	C	39	D
20	C	40	B

General comments

11,603 candidates took this paper in November 2008 and the mean score was 20.8, very similar to November 2007 when it was 20.1 and almost identical to November 2006 when it was 20.6.

81% chose the correct answer for **Question 10**, 82% for **Question 13** and 84% for **Question 15**, which is a higher percentage than would be expected on an examination such as this. All these questions tested the candidates' ability to apply their knowledge to particular situations. It is to their credit that so many were able to answer these questions correctly.

The questions with the lowest percentage of candidates choosing the correct answer were **3**, **32** and **34**.

Question 3 was the most difficult question on the paper with only 15% of candidates choosing the correct answer, C. 41% of candidates chose A, 30% chose B and 14% chose D. The extra machinery would increase the firm's cost but the reduction in the workforce would lower the cost. As we are not told the relative amounts of each change the outcome of the cost change is uncertain. Productivity would rise as production increases with fewer workers.

For **Question 32**, 28% chose the correct answer B, 6% chose A, 37% chose C and 28% chose D. If the candidates were considering only the last column there might be an explanation why they chose D which has the highest value in 2005. However, more candidates chose C than either D or the correct option B. There is no obvious reason for this.

For **Question 34**, 23% of the candidates chose the correct answer, C. 28% of candidates chose A, 22% chose B and 26% chose D. It is likely that these relatively close percentage figures would indicate that candidates were guessing.

ECONOMICS

Paper 2281/02
Paper 4 (Extended)

General comments

The quality of the answers varied greatly. There were some very good answers from a number of candidates who demonstrated a sound knowledge and understanding of economics and a sensible and mature ability to discuss, analyse and evaluate a number of key economic concepts and issues. There were also, however, some rather weak answers where the candidates failed to demonstrate very much knowledge or understanding.

There were relatively few rubric errors, although some candidates did answer all seven questions on the examination paper when the requirement was to answer **Question 1** in **Section A** and three other questions from **Section B**. This meant that a great deal of valuable time in the examination was wasted.

Candidates need to pay close attention to the precise wording of the question, especially in terms of the particular command or directive word being used. For example, if the question asks the candidate to describe something, as in **Question 4(c)** where candidates were required to describe how a person's income is likely to change during their life, or to outline something, as in **Question 2(c)** where candidates were required to outline the functions of a central bank, then he or she simply needs to write a relatively brief answer. However, if the question requires the candidate to analyse something, as in **Question 2(d)** where candidates were required to analyse how a central bank might influence consumer saving, or to discuss something, as in **Question 4(d)** where candidates were required to discuss what might determine why one job is paid more than another, he or she needs to go into much more detail, often giving two sides of an argument and then coming to a logical and reasoned conclusion.

Candidates also need to look very closely at the number of marks given to each part of a question as this gives a clear indication of how much detail is required and how much time should be taken to answer it. For example, **Question 1(a)** was given just three marks whereas **Question 6(b)** was allocated seven marks.

Comments on specific questions

Question 1

- (a) Most candidates were able to state what is shown in a population pyramid - the age of people, the gender of people and the particular time period of the information provided.
- (b) The majority of candidates were able to describe what the prediction suggested would happen in Botswana by 2050. It was likely that the number in the lower age range would decline, those in the middle age range would increase and that those in the higher age range would increase slightly for males but not for females (except for those aged 80 or above). There was also a possibility that there would be a decline in the overall population.
- (c) (i) Most candidates were able to draw an outline shape of a population pyramid for a typical developed country to show how it might differ from those given for Botswana. The key differences were likely to be a greater proportion of people in the older age ranges and a smaller proportion of people in the younger age ranges. Some of the diagrams were well drawn and fully labelled, but some of them were either very badly drawn or very poorly labelled (or, in some cases, both).

- (ii) There were some good explanations of what might cause the difference in the shape of the population pyramid of a developed and a developing country. The difference will essentially reflect the various birth and death rates which are likely to be lower in a developed than a developing country, and candidates offered some good explanations of the reasons for these different rates, such as in terms of health care and social conditions. There were also some interesting explanations in terms of differences in migration.
- (d) In this part of the question, candidates were required to discuss how an improvement in education in a developing country such as Botswana might have an effect on its population. Candidates discussed how this could lead to an improvement in knowledge of health matters and of family planning. A number of candidates went further and discussed macro factors, such as how this could give rise to greater employment opportunities, leading to an increase in GDP per capita and general living standards.

Question 2

- (a) The majority of candidates were able to explain why different income groups might have a different pattern of spending and saving. They pointed out that the higher income groups would be likely to spend a higher proportion on luxuries and to save quite a lot of their income whereas the lower income groups would be likely to spend a higher proportion on basic necessities and to save very little, if any, of their income. One weakness in some of the answers, however, was a failure to offer any explanation of saving, focusing exclusively on spending. A few candidates completely misunderstood what was required and wrote about why different people received different incomes, saying nothing about spending or saving.
- (b) Most candidates were able to discuss a number of factors that might influence government spending, such as the amount of revenue raised from taxation to finance the spending, the need to encourage economic growth, the aim of reducing unemployment, the desire to control the rate of inflation and the objective of trying to achieve an equilibrium in the balance of payments.
- (c) There were some good answers to this question with candidates outlining a number of functions of a central bank, such as the issuing of notes and coins, the control of the money supply, the setting of interest rates and the role of lender of last resort. Some candidates, however, completely failed to appreciate that the question concerned the functions of central banks and wrote instead about the functions of commercial banks.
- (d) Many candidates were able to offer a good analysis of how a central bank might influence consumer saving, especially in relation to changes in interest rates. Some, however, made the same error as in the previous part of the question and wrote entirely about commercial banks.

Question 3

- (a) There were some good explanations of why Kuwait might want to seek new markets when it increased its oil production. Candidates generally understood that there would be an increase in supply, causing prices to fall. There would, therefore, be a need to try and increase demand to bring the price back to its original level. It would also be necessary to increase revenue to recover the expenditure on the new port extension. The question did not explicitly ask for a demand and supply diagram to be included, but many candidates did include one, helping to substantiate the explanation offered.
- (b) Most candidates were able to clearly distinguish between fixed and variable costs and were able to provide appropriate examples of each. Many correctly argued that fixed costs were likely to have the highest proportion in the production and distribution of oil, although some candidates offered a very sophisticated argument that fixed costs would have the highest proportion in the production of oil, but that variable costs might have the highest proportion in its distribution.
- (c) The majority of candidates were able to explain what was meant by a substitute good and a complimentary good and although most gave examples of each connected with oil, a few offered examples which had nothing at all to do with oil.

- (d) Most candidates were able to explain what was meant by price elasticity of demand, although some got confused as to what was causing what. In other words, a few candidates wrote about a change in price in response to a change in demand. There were some good answers in terms of using the concept to discuss what might happen in the market for oil if the price of oil was raised, stressing that demand was likely to be price inelastic. The question did not explicitly require a diagram to be drawn, but many candidates did include one and used it to good effect in assisting the explanation.

Question 4

- (a) The majority of candidates were able to explain in what type of business organisation the two occupations might be found, arguing that a laboratory technician would be likely to work for a multi-national public limited company and a secretary/receptionist would be likely to work for a sole trader or partnership. A few candidates were confused by the term 'business organisation' and wrote about the sector that the different occupations would be working in.
- (b) This part of the question was answered reasonably well by the majority of candidates who were able to explain a number of factors that might affect an individual's choice of occupation, such as wages, promotion and career prospects, pension provision, working conditions and proximity to home.
- (c) Many candidates were able to describe how a person's income would be likely to change during their life, starting on a fairly low income, then increasing as a result of promotion, experience and perhaps additional qualifications, and then finally falling back again in retirement.
- (d) The majority of candidates were able to discuss a number of factors which might determine why one job is paid more than another, such as in relation to skills, qualifications, training, experience, public or private sector and occupational sector. However, the better answers went beyond this descriptive approach to bring in a consideration of demand and supply factors.

Question 5

- (a) Most candidates were able to distinguish between private sector and public sector investment spending, giving appropriate examples of each. For example, private sector investment spending might involve tools, equipment, machinery and factories, whereas public sector investment spending might include schools, hospitals and road construction.
- (b) The majority of candidates were able to explain why investment spending would be important for an economy, focusing on its contribution to the increase in income, employment, economic growth, standard of living and quality of life.
- (c) This was answered well by the majority of candidates who stressed that a market economy involved producers and consumers without any government interference, with the allocation of resources determined by the price mechanism, whereas a mixed economy brought in the government in a variety of different ways, such as through the provision of public and merit goods.
- (d) This proved to be quite a difficult question for many candidates, although some of them were able to offer a clear explanation of how economic growth might change the relative importance of the primary, secondary and service sectors. In other words, the primary sector would continue to decline, the secondary sector would first grow and then begin to decline and the service sector would continue to grow.

Question 6

- (a) The majority of candidates were able to correctly define inflation as a persistent or sustained rise in the general level of prices in a country over a specific period of time.
- (b) There were some very good explanations of how inflation is measured, with candidates explaining the various elements of the process including the use of an index, a base year, a basket of goods and services and the need to weight the different items in terms of their relative importance. A few candidates misunderstood what was required and instead of writing about how inflation could be measured, wrote about the causes of inflation instead.

- (c) Most candidates were able to describe two reasons why there might be a change in the level of unemployment in a country, either in terms of an increase or decrease. The reasoning was related to various types of unemployment, including seasonal, structural, frictional, cyclical and technological.
- (d) There were some very good discussions of why governments might be concerned to keep the rate of unemployment low, such as to encourage economic growth, to keep down the expenditure on unemployment benefits (allowing money to be spent on other programmes; a good example of opportunity cost), to maintain the revenue received from taxation and to keep down the crime rate.

Question 7

- (a) There were some good explanations of why developing countries, such as Kenya and Tanzania, might need the intervention of foreign companies, such as to provide necessary capital, to improve the skills of the workers and to overcome corrupt practices.
- (b) It was pleasing to see a number of well balanced answers to this part of the question, with many candidates considering the potential advantages of multi-national companies, then discussing the possible disadvantages and finally offering a reasoned conclusion as to whether they were likely to be beneficial for a country or not.
- (c) Most candidates were able to explain two policies a country might use in international trade to protect its home industries, such as tariffs, quotas and subsidies.
- (d) It seemed to be the case that many of the answers to this part of the question on natural resources were better than in previous years. Candidates were generally able to offer a consideration of both points of view, contrasting the arguments in favour of the exploitation of natural resources with those in favour of their conservation, before coming to a reasoned and logical conclusion.