

CARIBBEAN EXAMINATIONS COUNCIL

**REPORT ON CANDIDATES' WORK IN THE
SECONDARY EDUCATION CERTIFICATE EXAMINATION**

MAY/JUNE 2007

ECONOMICS

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GENERAL PROFICIENCY EXAMINATION

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GENERAL COMMENTS

The CSEC Economics examination was administered for the first time in 2007. The examination consisted of Paper 01, the Multiple-Choice paper, Paper 02, the Structured Essay paper, Paper 03/1, the School-Based Assessment, and Paper 03/2, the Alternative to School-Based Assessment for private candidates.

DETAILED COMMENTS

Paper 01

This paper consisted of 60 multiple choice questions. A total of 2,140 candidates wrote this paper, with no candidate gaining full marks. The mean score on this paper was 33 out of 60, and marks ranged from 0 to 55.

The paper was done fairly well with the stronger candidates scoring in the range of 40 or more marks. The weaker candidates, however, demonstrated an inability to conduct simple calculations on economic indicators, interpret graphs and charts, and use statistical information provided, in an effective manner. It is strongly recommended that more time be devoted to calculating simple statistical analyses such as trade balances, current account balances, price elasticity of demand and that candidates be able to understand fully the factors that will cause a shift in the demand and supply curves, as against those that will cause a movement along these curves.

Paper 02

This paper tested candidates on a range of topics identified in the syllabus. It was divided into two Sections; A and B. Section A contained four compulsory questions while Section B was made up of four optional questions from which candidates were expected to answer any two. Section A, contained questions on two macro-economic and two micro-economic topics each, while in Section B, the macro and micro components of the syllabus were integrated in each of the four questions.

Question 1

This question tested candidates' understanding of the term 'national income' and its composition. It also assessed candidates' appreciation for the factors that affect the quality of national income statistics and their appreciation of the importance of national income to a country.

This question was worth 15 marks and, since it was compulsory, was attempted by nearly all the candidates with varied performance in the various parts. The marks ranged from 0 to 15. The mean mark was 3.53 with a standard deviation of 2.54 indicating that the majority of candidates had marks that were below the average score.

Part (a) of the question was generally well done, with the weaker candidates ignoring the production aspect in the definition of the national income. In their response candidates were expected to stress the fact that it is the total goods and services produced in a country over the period of a year.

Part (b) was not as well handled as Part (a). Generally, candidates failed to demonstrate a proper understanding of the components of national income. In a number of cases, answers relevant to whether it was an appropriate measure of a country's standard of living was given as the response.

Part (c) was generally poorly handled. This posed the greatest degree of difficulty for candidates. Candidates confused the quality of national income statistics with the quality of goods and services produced. Additionally, they discussed factors affecting national income and not national income statistics.

Part (d) was also not well handled by candidates. Most of the better candidates performed creditably in this part of the question. However, the weaker candidates either did not attempt this question or the relevant response for this part of the question could be found in Part (c) instead.

In general, candidates seemed unprepared for this question either because national income was not covered comprehensively in the classroom or insufficient attention was paid to the questions asked.

Candidates are advised that all seven topics in the Economics CSEC syllabus should be fully and comprehensively covered to ensure that students have a full appreciation for the content matter of the subject and their interrelationships.

Question 2

This question was designed to test candidates' ability to:

- Identify the importance of international trade;
- Explain why investment is important for a country; and
- Discuss the negative implications of a trade surplus on an economy.

As was the case for Question 1, most candidates attempted this question, which was worth 15 marks, and candidates performed fairly. A total 2,129 candidates attempted this question with the range of scores varying between 0 and 15 marks. The mean mark was 6.64 indicating that the majority of candidates scored just below the median mark, while the standard deviation was 2.98.

Part (a) was generally well done. However, the weaker candidates did not seem to know what is meant by the 'terms of trade' and instead opted to guess. A popular response was that it was the agreement made between two countries.

Part (b) was handled well with most candidates scoring full marks on this section of the question as they were able to identify three reasons why countries trade.

Part (c) was fairly well done by candidates, with the stronger candidates acquiring marks for clear and well argued points. The weak candidates tended to just list the impacts of a significant direct investment without explaining how they will affect an economy.

Part (d) was the most challenging part of the question. It appears that most candidates may have been exposed to trade deficit, though they are expected to cover a trade surplus as well according to the syllabus. The organization in answering this question was generally poor. Generally, candidates that scored well in this question were able to articulate clear and concise responses, link the effects to the points raised and demonstrate a full knowledge of the topic. Some examples of good responses are provided below:

- "Increase in consumption since Caribbean economies tend to be import-oriented. This may lead to an increased dependence on foreign goods."
- "Inflationary pressures: A trade surplus may lead to a greater demand for products. If the economy is near full-employment this can lead to cost-push inflation."

Question 3

This question tested candidates' understanding of the production, economic resources and resource allocation systems present within economies. Of the 2,120 candidates who attempted this question the performance tended to be mixed. In fact, the scores on this question ranged from 0 to 15 marks, with a single candidate acquiring the maximum mark. The mean mark was 4.5 and the standard deviation 2.65.

Part (a) was dealt with in a fair manner, though candidates needed to be more precise when a definition was required. For example, candidates needed to indicate that the production possibility curve represents the amount of goods and services a country is capable of producing with its given resources. Many candidates tended to waffle, hence losing marks in the process.

Part (b) was generally well handled and many candidates scored the maximum marks in this part of the question as they were able to identify three advantages associated with the division of labour.

Part (c) of the question posed the greatest challenge to candidates. The majority of candidates were unable to distinguish between the primary and secondary factors of production as the question required them to do, and the primary and secondary levels of production. This confusion may have been due to an imprecise reading of the question. Additionally, most students did not indicate what distinguishes a primary factor of production from a secondary factor of production, relative to the sugar industry.

Part (d) of the question was handled in a fair manner by the stronger candidates. However, the majority of candidates did not seem to know about the law of diminishing returns. As such, candidates were unable to apply the law of diminishing returns to a short-run situation where capital is variable and labour fixed. This part of the question was, therefore, not as well done as one would have expected.

Question 4

This question tested candidates' understanding of the operations of the market system and their ability to interpret quantifiable data. Additionally, candidates' ability to illustrate issues in a clear, logical and coherent manner was also tested. From the 2,127 candidates who attempted this question the marks ranged from 0 to 15, with a mean of 6.22 and a standard deviation of 3.03.

Part (a) of the question was generally well done with candidates indicating that a market is where persons (buyers and sellers) meet to transact business or simply, where business is transacted.

Part (b) posed a challenge to most candidates. Most candidates appeared unaware of the factors that cause market failure, i.e., imperfect competition, pollution/congestion, and government intervention into the market system.

Part (c) was handled fairly well as candidates were able to relate to this example, more so, given the liberalization of the telecommunication sector occurring in the Caribbean with the advent of Digicel. Many candidates scored full marks on this question.

Part (d) was dealt with in a fair manner, with the more able candidates gaining maximum marks. The weaker candidates failed to score as well in this part of the question as firstly, many did not utilize the information provided in the table but merely indicated that there was 'excess supply'. Secondly, many either did not, or could not, construct a graph using the information presented. This meant that marks were lost for being unable to illustrate their response as the question asked for candidates to support their response 'with the aid of a diagram'.

Question 5

This question was designed to test the following:

- Candidates' knowledge of the financial intermediaries/institutions;
- Candidates' knowledge about the functions of money; and
- Candidates' understanding of the role of the Central Bank in fostering economic growth with stable prices.

A total of 1,600 candidates attempted this question. This question was worth 20 marks with approximately 30 per cent of candidates scoring above 10 marks. Candidates' mean score was 7.71 and a standard deviation of 3.78, indicating a wider distribution of the marks obtained by candidates. Full and almost full marks were achieved by candidates in parts (a) and (b). Candidates in the main correctly identified three financial intermediaries in Part (a) and the functions of money in Part (b).

Part (c) tested candidates' understanding of the role of the Central Bank in the process of economic growth. Candidates were required to discuss a monetary policy measure that can be used to achieve this goal. This section was poorly done as candidates incorrectly identified and discussed FISCAL rather than MONETARY policies. The Central Bank's role in issuing new money was discussed fairly well.

Additionally, the second part of the question required candidates to discuss two further measures NOT already mentioned in c (i). In this case many candidates repeated the answer given in c (i). The most popular measure offered was the use of interest rate policies.

Candidates should be encouraged to apply these measures to situations of inflation and slow-down in the economy. It was in Part (c) that candidates had the greatest challenge, as they were unable to link the monetary policies to curb inflation and maintain stable prices. This resulted in the lack of depth in the arguments posited and some unacceptable contentions as well. In many cases, candidates seemed to recognize multiple effects of the Central Bank, such as increasing interest rates, restricting money supply through raising the reserve requirement ratio of commercial banks, or putting in place foreign currency restrictions, but they failed to carry through with logical arguments to show the effects on inflation.

Question 6

This question was designed to test candidates' understanding of economic management re: policies and goals and was worth a total of 20 marks. Of those sitting the examination, 841 candidates attempted this question. A mere 24 per cent of candidates gained a pass mark in this question, with no one scoring the maximum mark, though a significant number scored between 0 and 1. The mean score on this question was 4.71 indicating that the majority of candidates scored less than 10 marks. Additionally, the standard deviation was 4.10.

Part (a) was done fairly well by the more able candidates. However, candidates largely demonstrated an inability to define the term 'recession' with responses including "a period of rest" and "intermission", rather than indicating that it is a slowing down of economic activity in an economy over at least two consecutive periods.

Part (b) required candidates to describe two causes of unemployment. This part of the question was generally well handled with most candidates gaining full marks on this section. However, candidates are encouraged to pay attention to such terms as 'describe', 'discuss', 'explain', and 'distinguish'. In many instances where these terminologies were used candidates merely listed the points and did not elaborate upon them.

Part (c) required an explanation, with the aid of a diagram, of cost-push inflation caused by higher wages demanded by a trade union. The responses were fair with the more able candidates being able to indicate that this will cause a leftward shift of the original supply curve as cost increases and suppliers seek to reduce cost by cutting back on the amount of labourers they hire.

Part (d) tested candidates' understanding of the effects of budget deficits on a named country's economy. Most candidates focused on the government borrowing, while others confused a budget deficit with a trade deficit.

Generally, responses to this question were poor. Candidates focused on the negative effects of a balance of payments deficit. From these responses it is clear that candidates are of the view that a budget deficit is an outcome of policy. A budget deficit is a policy decision with anticipated outcomes. This needs to be emphasized.

Question 7

This question tested candidates' understanding of the systems that are used to allocate resources within an economy as well as to their grasp of the issues related to price elasticity of demand. This was the second most popular question after Question 5 in the optional section, with 1,096 candidates attempting it. This question was also out of a total of 20 marks. However, it was the question in which candidates performed the worst, with a mere 12 per cent achieving a passing grade, with the bulk earning no mark. Hence, it was not surprising that the mean score on this question was only 2.38 and standard deviation 3.27.

In Part (a) candidates were required to show knowledge of the mechanisms by which resources are allocated in an economy. Most candidates could not identify these two mechanisms, i.e., price mechanism and the government. Responses ranged from "humans", "physical resources" and "transportation". This may have been a reflection of the way this part of the syllabus was taught, i.e., more in terms of economic systems than allocative mechanisms. Additionally, the word 'means' in the question may have posed some challenge to the students comprehending the objective of the question.

Part (b) required that candidates display knowledge and understanding of the difference between the "change in demand" and "change in quantity demanded". This part was also poorly handled as candidates generally distinguished between the two concepts. The most common response was that a change in demand means a change from one good to another; while a change in quantity demanded was described as change in the amount of one good for another good. What the question was seeking to have candidates indicate was that change in demand is often occasioned by factors such as income, taste and population growth that will cause a movement of the entire demand curve, while a change in the quantity demanded is as a result of a change in prices that will cause a movement along the original demand curve.

Part (c) tested candidates' knowledge and understanding of price elasticity of demand, its determinants and its application to luxury goods exemplified in the BMW vehicles. Responses here were fair, with many students identifying "substitutes" and "proportion of expenditure in one's budget" as key determinants. Many candidates however, confused these as demand condition determinants, e.g., prices of rather than availability of substitutes. The more sound responses correctly explained the nature of the responsiveness of the price elasticity to BMW vehicles.

Part (d)'s responses were linked to Part (c)'s. It required that candidates interpret the diagram presented in accordance with determinants explained in Part (c). The diagram illustrated a rightward shift in the demand curve for BMW vehicles. Most candidates, while correctly interpreting the diagram, failed to show the connection between the degree of responsiveness to the possible determinants that may have explained the shift.

Candidates should be encouraged to firstly distinguish demand change from quantity demanded as fundamental concepts to economics, as well as appreciate the diagrammatic variations.

Question 8

In this question, candidates were tested in the following areas:

- Their overall understanding about the objectives of CARICOM;
- How Caribbean economies are able to foster e-commerce in a globalised environment; and
- The roles of the governments in fostering e-commerce development in the region.

A total of 685 candidates attempted this question that was worth a total of 20 marks. However, it was the question that had the highest pass rate, i.e., 51 per cent, with approximately 50 per cent of candidates gaining between 10 and 20 marks. Furthermore, the mean score on this question was 10.21 and a standard deviation of 4.95. The question presented a degree of difficulty which allowed the best candidates to gain full marks.

Part (a) required candidates to list three objectives of CARICOM. For the most part this was satisfactorily done.

Part (b) (i) and (b) (ii) focused on candidates' knowledge and understanding of trade liberalization and e-commerce as they apply (the latter in particular) to Caribbean businesses. Candidates scored freely in b (i), with many obtaining full marks. Part (b)(ii) required application of benefits of e-commerce to Caribbean business. This was also adequately answered.

Part (c) required candidates to apply knowledge and understanding of government measures to promote sustainable growth in e-commerce in the region. The stronger candidates were able to do so to a fair extent. However, the weaker candidates tended to confuse private sector functions with those of governments, or merely listing the points without showing how they would promote growth in the e-commerce sector.

Generally, candidates should be encouraged to explore the changing business culture in the Caribbean as far as online business endeavours are concerned in the context of trade liberalization.

Paper 03/1

This was the School-Based Assessment that aimed at allowing candidates to:

- Investigate an area of special interest within the syllabus;
- Develop the ability to conduct an enquiry and present the findings; and
- Benefit from teachers' involvement in the evaluation process.

Accordingly, candidates were expected to present a report which demonstrated individual work (though candidates were advised to collect information as a group where feasible), using qualitative or quantitative information or both, including charts, graphs and tables. As such, candidates were expected to:

- State the purpose of the investigation;
- Select an appropriate method of investigation;
- Describe the procedures used to collect the data;
- Present the data in a qualitative or quantitative format or both;
- Explain the data presented;
- Interpret the data in terms of the purpose of the investigation;
- State findings; and
- Make recommendations based on findings and suggest measures for their implementation.

A total of 2,022 candidates submitted SBAs which were worth a total of 40 marks. On average, candidates scored 27.05 marks, with a standard deviation of 6.69. While performance on this paper was commendable, the following recommendations are made:

- Candidates should be encouraged to adhere to the word limit of 1,000 to 1,200 words. It was observed that there were a substantial number of projects that exceeded the word limit. Candidates may be penalized for not observing the word limit.
- Candidates should be encouraged to select manageable topics. For example, some candidates were asked to assess the impact of value added tax in an economy, when that measure had been introduced one month prior to the study. Clearly, candidates could not adequately address this topic.
- Candidates are not merely expected to identify sources of data, but to demonstrate in their project that these sources were actually used, through quoting figures or statements from such sources.

- Attention should be paid to identifying clearly the purpose of the study and not merely indicating the objective of the study. For example, the purpose of the study can be stated as ‘this study is seeking to identify the factors that are responsible for the increased demand for bread in Look Out over the last five years’.
- It is imperative that candidates seek to link the various parts of their responses. In too many instances the recommendations were not connected to the findings. Furthermore, in many cases the data collected were not related to the problems identified or the objectives, hence they could not be used to advance the purpose of the study.
- The analysis section of the projects for the greater part was more a description of the findings without any discussion in terms of what the implications of the findings were or what might have been responsible for the results found.
- Candidates are once again cautioned that plagiarism will be dealt with severely. While the use of material from budget speeches, central banks’ annual reports, and periodicals is accepted, re-writing of extracts from such sources is totally unacceptable. Educators are therefore encouraged to be more vigilant to these possibilities.

Paper 03/2

This paper tested candidates’ proficiency in interpreting and explaining quantitative and qualitative trade data and the implications of globalization for Caribbean states. This paper consisted of five questions for a total of 40 marks. Seventy candidates sat this examination, with the highest mark gained being 34 and the lowest being 4. Additionally, the mean score on this paper was 14.23 and the standard deviation was 6.90.

Question 1 tested candidates’ ability to distinguish between a protected and liberalized market place and was fairly well done, with the majority of candidates attaining a mark in the range of 3.19 to 4 out of possible 8 marks. The main challenge seemed to have come from candidates being able to explain what was a liberalized market place and what was a protected market place.

Question 2 of the paper was well done. The mean mark for this question was 3.63 out of 4. More than 91 per cent of candidates scored at or above the mean mark.

Question 3 tested candidates’ knowledge of globalization and why Caribbean territories might want to encourage this process and this question was done in a fair manner. Forty per cent of the candidates scored around the mean of 2.40 marks out of a possible 6 marks. The major challenge for the weaker candidates was that they sought to derive the answer exclusively from the passage, thus not seeking to utilize the knowledge they might have acquired from the classroom or their own reading. The more able candidates were able to do this and therefore scored heavily.

Questions 4 and 5 posed the greatest degree of difficulty for candidates. In the first instance, candidates were expected to use information in a table to plot a graph and then comment on the graph constructed. The majority of candidates had difficulty doing this task. The mean score of 1.94 was reflective of this. Clearly, graph sketching and interpretive skills need to be better honed. Question 5 tested candidates’ ability to comprehend and discuss what was written in the passage. Many candidates found this a challenging task with the mean score being 3.07 out of a possible 10 marks.

GENERAL RECOMMENDATIONS

- Some topics on the syllabus did not seem to have been adequately covered. All topics should be covered if candidates are to perform satisfactorily in this examination.
- Candidates had an inadequate understanding of a range of basic economic concepts, and the understanding of these basic concepts is integral to the study of Economics.