

C A R I B B E A N E X A M I N A T I O N S C O U N C I L

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

MAY/JUNE 2010

ECONOMICS

**Copyright © 2010 Caribbean Examinations Council
St Michael, Barbados
All rights reserved**

GENERAL COMMENTS

Economics was offered for examination at the Caribbean Secondary Education Certificate (CSEC) level for the fourth year in 2010. The examination consisted of Paper 01, Multiple-Choice, Paper 02, Structured Essays, Paper 03/1, School-Based Assessment (SBA), and Paper 03/2, Alternative to the SBA for private candidates. This year 61 per cent of the candidates received passing grades (Grades I — III).

DETAILED COMMENTS

Paper 01 – Multiple Choice

This paper consisted of 60 multiple-choice questions. Performance was satisfactory, with most candidates scoring approximately 38 marks out of a total of 60. This year, candidates again demonstrated an inability to do simple calculations on economic indicators, interpret graphs and charts, and use statistical information in an effective manner. The main concepts which posed challenges to candidates were price, income and cross elasticities, GDP and GNP and the balance of payments. It is strongly recommended that more focus be placed on these areas.

Paper 02 – Structured Essays

This paper sought to test 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 comprised four optional questions from which candidates were expected to answer any two. Section A and B tested two micro-economic and two macro-economic topics each. All seven units in the Economics CSEC syllabus should be fully and comprehensively covered to ensure that candidates have a full appreciation of the content matter of the subject and their interrelationships.

Question 1

This question was designed to test candidates' ability to:

- Define *ceteris paribus*
- List three determinants of supply other than its price
- Explain three benefits that consumers may derive from the introduction of new service providers in the telecommunications industry
- Use a demand and supply diagram to illustrate the impact on equilibrium quantity, of a change from a monopoly to a competitive market
- Identify the impact of this movement on the equilibrium price.

Overall, performance was unsatisfactory. The majority of candidates scored approximately 5 marks out of a maximum of 15.

In Part (a), candidates did not provide a correct definition of the term 'ceteris paribus'. They were expected to write '*all other things being equal*'; instead, they gave various responses such as everything is the same or constant, and omitted the key word 'other' in their definition. Other candidates incorrectly used the laws of demand and supply to explain the term.

For Part (b), candidates confused the determinants of demand with the determinants of supply. Many candidates gave the three economic resource allocation decisions and the 'Ps' of the marketing mix as responses to this question, when what was required was the determinants of supply.

The responses given to Part (c) were satisfactory. However, some candidates focused mainly on the services offered rather than on the benefits to the consumers due to competition.

Part (d) was poorly done. Candidates were required to illustrate a shift to the right of an original supply curve. Instead, many of them illustrated shifts in both demand and supply curves. In most cases, the curves were incorrectly labelled. Some students attempted to provide a written response even though a diagram was specifically requested.

Part (e) was very well done. However, some candidates gave responses such as 'negative impact, positive impact' instead of indicating a decrease in price.

Question 2

This question was designed to test candidates' ability to:

- Define productivity
- Identify three rewards that can be gained by the factors of production
- Discuss two reasons why a centrally planned economy tends to be less efficient than a market-based economy
- Explain two advantages derived from the division of labour in the tourism industry.

The overall performance on this question was fair. The majority of candidates scored approximately 6 marks out of a maximum of 15.

Part (a) was generally well done with most candidates being able to define the term. The weaker candidates confused productivity with production. Part (b) was also generally well done. The weaker candidates listed the factors of production instead of their rewards.

Part (c) of the question seemed to pose a lot of difficulty for most candidates. In most cases, they were able to list the characteristics of market and planned economies but were unable to explain clearly the reasons why one was less efficient than the other. This resulted in a lack of depth in their arguments.

Part (d) of the question was generally well done. Candidates were quite knowledgeable about the division of labour. Candidates were, however, unable to apply the concept to the tourism industry.

Question 3

This question was designed to test candidates' ability to:

- Define comparative advantage
- List three reasons why countries trade
- Discuss two problems that can arise with respect to the balance of payments of non-oil producing Caribbean countries as a result of rising oil prices
- Explain two ways in which devaluation can impact the small, open economies of the Caribbean.

The overall performance on this question was poor. Candidates focused on the lower level skills of listing and identifying without developing their responses. The majority of candidates scored approximately 5 marks out of a maximum of 15.

For Part (a), the majority of candidates were unable to provide an adequate definition of opportunity costs as it related to comparative advantage. Many responses focused on absolute advantage. Emphasis must be placed on the distinction between the two concepts.

Part (b) was very well done by all candidates and the majority of them were able to identify three reasons for trade.

Part (c) was poorly done. Candidates considered the effects of rising oil prices without discussing the implications for the balance of payments specifically. Most of them recognized that a deficit or increased debt could occur but were unable to provide a proper analysis of why the deficit or debt occurred. Few looked at the impact on reserves. Additionally, some candidates used explanations for the economy in general as opposed to the balance of payments as was required. Candidates should be encouraged to read questions carefully before attempting to answer them.

Generally, Part (d) was handled better than Part (c). Many candidates were able to explain the effects of devaluation on export and import prices. However, some candidates confused devaluation with a fall in prices.

Question 4

This question was designed to test candidates' ability to:

- Define gross fixed capital formation and net property income from abroad
- State the information needed to calculate national income at market prices not included in the given table
- Discuss two factors that can cause the GNP of a country to be greater than the GDP
- Calculate the GNP using the information provided in the table.

The overall performance on this question was poor and was the poorest performance overall. A large number of candidates scored zero while others did not attempt the question at all. The majority of candidates scored approximately 2 marks out of a maximum of 15.

For Part (a), candidates could not clearly define gross fixed capital formation. They interpreted it as a one-year period of expenses or as money capital. In Part (b), candidates related net property income from abroad only to physical property. Those who had an idea of the concept failed to consider the 'net' aspect of the definition.

For Part (b), very few candidates mentioned depreciation or capital consumption as was required. Part (c), was poorly done. Only a small percentage of candidates understood how net property income from abroad affected the size of GDP as opposed to GNP. Most candidates erroneously related the link to exports, imports or the balance of payments.

In Part (d), candidates were generally unable to calculate GNP correctly and it was evident that most were not even aware of the formula to calculate GNP.

Question 5

This question was designed to test candidates' ability to:

- Define market structure
- List consequences of market failure
- State three characteristics of a monopoly
- Discuss two factors affecting the elasticity of demand for wheat
- Use a diagram to identify two possible effects of a shift to the left of a supply curve leaving the demand curve unchanged
- Explain two consequences of having a cartel in the energy sector.

This question was the second most popular of the optional questions. Overall, performance was unsatisfactory. The majority of candidates scored approximately 7 marks out of a maximum of 20.

Part (a) was poorly done. Candidates defined a market instead of a market structure. Part (b) was fairly well done. Candidates seemed, however, to encounter challenges in differentiating between the consequences and causes of market failure. Part (c) was well done but it is important that candidates learn to distinguish between the basic characteristics and criticisms of the market structures.

Part d (i) was poorly done. Candidates could not differentiate between the determinants of elasticity of demand and the determinants of demand. They also looked at the concept of elasticity in isolation and did not link it to the product 'wheat' as was required by the question. Part d (ii) was also poorly done. It was evident that even though candidates were generally aware of the demand and supply curves, they were unable to apply them to practical situations. There was poor labelling of axes, confusion with which curve was positively sloped or negatively sloped, confusion with leftward versus rightward shifts and poor analysis of the graph generally.

Part (e) showed that most candidates lacked knowledge of cartels. They found it difficult to explain the effects of the existence of a cartel in the energy sector. However, a few of the candidates who attempted the question were able to score a minimum of 3 out of a total of 5 marks.

Question 6

This question was designed to test candidates' ability to:

- Define economics
- Distinguish between scarcity and choice
- Explain what is taking place on a given production possibility curve at a particular point indicated
- Outline two measures that a producer can take to attain the production level indicated outside the boundary of the production possibility curve
- Discuss two factors that may encourage a producer of bread to remain in bread production.

This question was the most popular of the optional questions. Overall, performance was satisfactory, with the majority of candidates scoring 10 marks out of a maximum of 20.

Part (a) was widely understood by candidates. However, some of them gave vague definitions and did not link the decision-making process to the allocation of resources.

Part (b) was generally well done; however, some candidates failed to make the link between scarcity and choice. Some candidates confused scarcity with a shortage. In addition, they failed to show that in making a choice, something must be given up.

Part c (i) posed great difficulty for candidates. There was a misinterpretation of the production possibility curve with some candidates writing about demand and supply curves. Furthermore, they had difficulty describing what the static position inside the curve represented.

Part c (ii) was fairly well done. Most candidates were able to identify improvements in technology and the discovery of raw materials while a few mentioned migration into the country, foreign direct investment and more efficient methods of production.

Candidates performed very well on Part (d), with a large number of them scoring full marks. Some candidates, however, failed to use economic factors and focused instead on social factors. Furthermore, some candidates focused on the consumer instead of the producer as was required by the question.

Question 7

This question was designed to test candidates' ability to:

- Differentiate between a treasury bill and a bond
- List three functions of money
- Explain how inflation affects all the functions of money
- Discuss the role of lender of last resort in relation to the central bank's role in managing the monetary sector in the economy.

This question was the third most popular of the optional questions. Overall, performance was unsatisfactory. The majority of candidates scored approximately 7 out of a maximum of 20 marks.

Part (a) was poorly done. The majority of candidates did not know what a treasury bill and a bond were. The candidates who had some idea of what these instruments were had the time periods mixed up and saw these debt instruments as being owned by the people and not by the government.

Part (b) was well done by candidates. However, a few mixed up the functions of money with the characteristics of money.

Part (c) was fairly well done. Candidates did not fully understand the requirements of the question which was to explain how inflation affected each of the functions of money. Great difficulty was encountered when trying to explain how inflation affected these functions because candidates did not have a clear understanding of each function of money and hence could not apply the concept of inflation to it. A minority of candidates did, however, make a good attempt and were awarded full marks.

Performance on Part (d) was fair. Candidates who gave good explanations of the central bank being the lender of last resort were awarded the full 5 marks. The majority of candidates, however, just listed the roles of the central bank and ignored the stimulus.

Question 8

This question was designed to test candidates' ability to:

- List three benefits that Caribbean economies can gain from e-commerce
- Outline two challenges that Caribbean economies might face in developing e-commerce
- Discuss two measures that can be employed by Caribbean governments in order to enhance e-commerce in the region
- Discuss two reasons why a named Caribbean country may need to implement a structural adjustment programme (SAP).

This question was the least popular of the optional questions. Overall performance was satisfactory especially on Parts (a), (b) and (c). The majority of candidates scored 9 marks out of a maximum of 20. Most candidates did not attempt Part (d).

Part (a) was satisfactorily done. Most candidates were able to give at least two of the three benefits of e-commerce. Part (b) was well done. Candidates were able to outline two good challenges.

Performance on Part (c) was equally satisfactory. Most candidates were able to identify and explain two measures.

Part (d) was poorly done. Only a small percentage of candidates had a clear understanding of the term 'structural adjustment'. Some candidates gave reasons relating to e-commerce rather than stating why a

country needed to implement a structural adjustment programme generally. Very few candidates correctly identified the need to correct fiscal imbalances, balance of payments problems and meeting debt payments.

Paper 03/1 – School-Based Assessment

The School-Based Assessment(SBA) 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
- Involve teachers in the evaluation process.

Accordingly, candidates were expected to present a report demonstrating 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 formats or both
- Explain the data presented
- Interpret the data in terms of the purpose of the investigation
- State findings
- Make recommendations based on findings and suggest measures for their implementation.

In order to improve performance on this paper the following observations should be noted.

Candidates should be directed to adhere to the word limit of 1,000 — 1,200 words. There was a substantial number of projects that exceeded the word limit. Students are penalized for not observing the word limit and teachers need to advise them of this penalty before they begin their work on the SBA component and must enforce the stipulation in marking the reports.

Students should be encouraged to select manageable topics that are related to Economics. In some instances, students chose topics that were more related to Social Studies or Principles of Business than to Economics. Teachers are implored to pay more attention to the content of topics selected.

Students are not merely expected to identify sources of data, but to demonstrate in their projects that these sources were actually used, by quoting figures or statements from such sources.

It is imperative that students seek to link the various parts of their project. In too many instances, recommendations were not connected to the findings. Furthermore, in many cases, the data collected were not related to the problems identified or to 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 may have been responsible for the results found.

Students 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 without acknowledgement is totally unacceptable. Additionally, students were found to be submitting identical projects or portions of projects that were identical. While students may work together, they are expected to submit distinct projects. Educators are therefore encouraged to be more vigilant to these possibilities as students are heavily penalized for such indiscretions.

Paper 03/2 – Alternative to School-Based Assessment

Paper 03/2 was the Alternative to the SBA. This year, it tested candidates' proficiency in interpreting and explaining quantitative data on price and cross elasticities and the impact of rising food prices. Candidates' performance was disappointing. In a number of cases, they failed to respond to or score any marks for a number of questions on the paper. Performance was generally weak with a mean mark of 10 out of 40.

Question 1 (a) sought to test candidates' ability to define price elasticity of demand. Candidates did well on this part. However, most of them presented the definition for elasticity and not price elasticity of demand as was required.

Question 1 (b) sought to test candidates' ability to identify ways in which rising oil prices could impact firms. The underlying assumption of this question was that firms were consumers of oil and oil products in the production process instead of being the producers of oil. The impact of rising oil prices on these firms would therefore be negative. Alternatively, some candidates assumed that the firms were oil producers and, as such, the impact of the increasing oil prices would have positive effects such as increased profits. This was acceptable.

Question 1 (c) sought to test candidates' ability to list four factors that influence the price elasticity of demand. Most candidates responded to this question by identifying the factors influencing demand instead of the factors affecting price elasticity of demand. The distinction between these must be emphasized.

Question 1 (d) sought to test candidates' ability to account for the difference in price elasticity values between potatoes and pre-packaged fries. Most candidates failed to observe that potatoes had an inelastic demand while pre-packaged fries had an elastic demand because potatoes are considered a necessity while pre-packaged fries are considered luxuries.

Question 2 (a) sought to test candidates' ability to interpret the value of the price elasticity of demand for beef. Most candidates merely stated the value of price elasticity of beef from the table provided. Candidates needed to indicate that the value was greater than one, implying that it was price elastic and very responsive to price changes.

Question 2 (b) sought to test candidates' ability to analyse the impact on sales revenue of a business if it increased the price of beef. Most candidates stated the law of demand which was not required. Candidates were required to indicate that since the demand for beef was elastic, an increase in price would cause quantity demanded to fall by a greater percentage than the increase in price hence causing a fall in revenue.

Question 3 (a) sought to test candidates' ability to define cross elasticity of demand. This question was fairly well done by those who attempted it. Some candidates had a vague understanding of the concept but were unable to give a full definition of it.

Question 3 (b) sought to test candidates' ability to calculate cross elasticity of demand for beef when the price of pork increased from \$4 to \$8. Candidates were required to extract the relevant information from the table given. Most of them could not recall the formula for calculating cross elasticity of demand. In instances when the formula was recalled, candidates had difficulty applying the data to the formula.

Question 3 (c) sought to test candidates' ability to plot the information for pork and beef contained in the table provided. Most candidates were able to score high marks on this part of the question. However, full marks were not always obtained, as graphs were not always properly labelled. Furthermore, the scales used were not quite appropriate.

Question 3 (d) sought to test candidates' ability to explain the relationship between pork and beef as it related to the curve drawn in 3 (c). Generally, candidates could not fully express the economic relationship between the two products. They were required to identify the positive relationship between the price of pork and the demand for beef illustrated by the positive slope of the curve and note that the two goods were substitutes.

Question 4 sought to test candidates' ability to explain three benefits that can accrue to an economy from persons having to adjust to rising oil prices. Some candidates viewed the question from the standpoint of oil producing countries while others did so from the standpoint of oil importing countries. Both viewpoints were acceptable. In some cases, however, candidates responded based on the stimulus of the question and focused on the individual instead of on the national response.

Question 5 sought to test candidates' ability to discuss two policies that can be used to reduce the impact of the rising cost of living caused by increased oil prices. For the candidates who attempted this question, most were able to correctly identify fiscal and monetary policies. Some, however, were unable to express how the policies stated could be utilized effectively.

RECOMMENDATIONS

There are some definitive recommendations that can help to improve candidates' performance at this level. With reference to Paper 02, 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.

Candidates are encouraged to develop a proper understanding of all concepts; only then will they be able to apply them. Candidates also need to practise writing out their explanations as part of the learning process as a majority had difficulty expressing themselves.

Candidates appeared to have difficulty with the calculations for price, income and cross elasticities, GDP and GNP and the balance of payments. More time should be spent on these areas as candidates are required to competently calculate and interpret changes in these variables.

Lastly, candidates require a minimum level of mathematical ability to pursue the Economics programme. The subject knowledge requires critical thinking and analyses. It is hoped that this will be taken into consideration when students are guided in their various course choices.