

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
CARIBBEAN SECONDARY EDUCATION CERTIFICATE[®] EXAMINATION**

MAY/JUNE 2013

**ECONOMICS
GENERAL PROFICIENCY EXAMINATION**

GENERAL COMMENTS

The examination consisted of Paper 01, the multiple-choice paper, Paper 02, the structured essay paper, Paper 03/1, the school-based assessment (SBA), and Paper 03/2, the alternative to the SBA for private candidates.

DETAILED COMMENTS

Paper 01

This paper consisted of 60 multiple choice questions. The performance was good relative to past years and showed an improvement in the interpretation of graphs and calculations.

Paper 02

This paper was divided into two Sections: A and B. Section A consisted of four compulsory questions while Section B comprised four optional questions from which candidates were expected to answer two. Section A tested two micro-economic and two macro-economic topics while in Section B, the micro and macro components of the syllabus were integrated in some of the questions. The performance was generally satisfactory.

Question 1

This question was compulsory. About 65 per cent of the candidates gave satisfactory responses.

This question required candidates to:

- Name one type of economic system.
- Complete a table by providing rewards associated with specified factors of production and vice versa.
- Explain two disadvantages of division of labour.
- Distinguish between production and productivity, using an example.

Part (a) was well done. The majority of candidates correctly identified planned, free or mixed economies. However, some candidates incorrectly identified the individual units that make up an economy, specifically households. Weaker candidates confused economic systems with political systems and economic institutions. Although the question specifically asked for one system, many candidates listed more than one.

Part (b) was generally well done. Most candidates were able to link the reward with the factor of production or the factor of production with the reward. Some candidates copied the table incorrectly and so confused the answers. In addition, for the rewards to land and entrepreneurship, many candidates answered incorrectly. The correct answers were rent and profit respectively.

Part (c) presented some challenges to the candidates. Many of the disadvantages of division of labour given were of a managerial or business nature, which lacked economic focus. For example, candidates incorrectly identified communication and increased span of control as problems associated with division of labour.

Part (d) seemed to have posed some level of difficulty for some candidates. Some confused the concept of productivity with profitability; some were unable to adequately define production and productivity and could not clearly differentiate between the two terms.

Question 2

Although this was a compulsory question, some candidates made no attempt at a response. Of those candidates who attempted the question, less than ten per cent were able to score twelve out of the allotted fifteen marks for the question. The interpretation and application parts of the questions presented the greatest challenge to the candidates.

This question required candidates to:

- Define the term 'market structure'.
- List three types of market structures.
- Explain what happens in a market when a surplus exists, using a diagram.
- Explain the type of market structure that would be associated with manufacturers of cellular phones, using three characteristics.

Responses to Part (a) were either very good or very poor. From the range of responses received, approximately 50 per cent of the candidates who took the examination were unable to recall a proper definition of market structure. In many instances, candidates substituted the word 'market' for 'firms' in presenting a definition and so were unable to maximize their score on this part of the question.

Candidates generally performed well on Part (b) of the question. However, in some instances, candidates confused the term 'economic system' for 'market structure'.

Part (c) of the question proved to be a challenge. Most candidates offered an explanation as to the causes of a surplus rather than an explanation of what happens in the market when a surplus exists. Further, most candidates offered a definition of a surplus as opposed to highlighting the consequences of a surplus in the market. As a result, there was a lack of depth in the candidates' responses on this part of the question.

Additionally, candidates were required to present a graph to show how the presence of a surplus on the market would result in a decrease in price. About 40 per cent of the candidates presented a shift in the supply curve instead of a movement along the curve. Further, about 20 per cent of candidates were unable to present the correct graph. In some instances, candidates presented cost curves, Production Possibility Frontier (PPF), and circular flow of income charts as well as some non-traditional economic graphs in their attempt to answer the question.

In Part (d) more than 40 per cent of the candidates based their responses on mobile phone service providers and not on cell phone manufacturers; consequently, they were unable to correctly apply the characteristics of the correct market structure to the question.

Question 3

In this question, candidates were required to:

- Write the acronyms for EU, CDB, FTAA, and CARICOM in full.
- State the name of the international organization that was established to provide member countries with short-term financing.
- Discuss two problems that may arise for a consumer when shopping on the Internet.
- Explain two problems that may arise for a small island trying to significantly expand its production of bananas.

In Part (a), about 50 per cent of the candidates showed limited knowledge of the acronyms, especially CARICOM and FTAA.

In Part (b) only about 25 per cent of the candidates displayed knowledge of the institution that gives short-term finance to countries. The majority of the candidates gave institutions not related to short-term international financing. Emphasis should be placed on delivering the teaching materials with more focus on international institutions established to provide short-term financing.

In Part (c) candidates were not able to differentiate between "identity theft" and "fraud". In some cases, candidates were not able to fully develop their ideas in a clear manner. Some candidates identified money laundering and "illegal drugs" as problems that might arise in using the Internet.

For Part (d) of the question, candidates performed satisfactorily. Eighty per cent of the candidates were able to highlight the challenges associated with limited factors of production.

Question 4

This question required candidates to:

- Define the terms *barter* and *legal tender*
- State the main disadvantage of barter
- Explain three functions of a Central Bank
- Apply the functions of money to four provided scenarios

The majority of candidates performed well in Part (a). They were able to define the term barter and often scored full marks. Where candidates were unable to provide formal definitions, adequate examples were provided which illustrated the concept adequately. Most candidates were unable to define legal tender. They confused the term with the process of tendering contracts.

The expected response for Part (b) was *double coincidence of wants*. Although some candidates were unable to identify the term, they were able to explain the concept of the necessity of both parties wanting what the other has. The most common incorrect response referred to the unequal value of goods being traded.

In Part (c), the most popular correct responses included *issuing notes and coins, the banker's bank, and the government's bank*. Despite this, some candidates were unable to adequately explain these functions. Some of the frequent errors included confusing the functions of the Central Bank with the functions of the commercial banks or with the functions of the government's treasury and Ministry of Finance.

Additionally, candidates erroneously mentioned indirect functions such as conducting economic research, providing data and controlling macroeconomic variables such as unemployment.

Most candidates demonstrated knowledge of the functions of money in Part (d). In some cases, however, they were unable to correctly match the functions with the scenarios provided, in particular, *standard for deferred payment and unit of account*.

Question 5

This was a very popular question.

This question required candidates to:

- Define the terms deflation and unemployment.
- List three withdrawals from the circular flow.
- Explain two measures that may be used to reduce seasonal unemployment in a country.
- Discuss two problems that may arise for a trade union in attempting to fulfil their role, when a country is in recession.

Part (a) of the question was generally well done. However, some candidates just stated deflation as a decrease in price without stating that this decrease happens over a period of time.

Part (a) (ii) was well done, as candidates were able to give a full definition of unemployment as the inability to obtain a job when someone is willing and able to work.

Part (b) was poorly answered as most candidates incorrectly referred to the withdrawals as individuals, firms and government instead of “savings, imports and taxation”.

In Part (c), performance was satisfactory as candidates were generally able to identify measures to reduce seasonal unemployment such as the government providing subsidies to firms and training and the education of seasonal workers.

Part (d) posed some challenges as candidates focused their discussion on the consequences of recession for the firm and country generally rather than the effect directly on the trade unions such as “reduced bargaining power; reduced revenue/membership fees; and fall in recruitment as a result of unemployment”.

Question 6

This question was optional. About 55 per cent of the candidates attempted it, with about 70 per cent of them responding satisfactorily.

This question required candidates to:

- Define the terms comparative advantage and absolute advantage.
- List three types of exchange rate systems.
- Explain two gains from trade for consumers and producers.
- Discuss two factors that give rise to balance of payments deficits.

Part (a) was done fairly well however, some candidates mixed up the definitions of the two terms, comparative advantage and absolute advantage.

In Part (b), most candidates accurately listed the types of exchange rate systems. Some candidates scored no marks; they merely listed financial institution, currency and concepts which are related to money.

In Part (c) candidates were able to explain the **gains** from trade more so for the consumers, than for the producers. Candidates seemed to confuse the gains from trade for the producer with those for the consumer.

Part (d) proved to be the most challenging part of this question. Some of the incorrect responses given included the meaning of a balance of payment deficit and ways of correcting a balance of payment deficit. These misconceptions gave rise to lengthy and incorrect discussions.

Question 7

This was one of the more popular optional questions.

This question required candidates to

- Label the cost curves given in a diagram.
- List three examples of services.
- Describe two benefits of being a sole trader.
- Explain two examples of fixed costs that would accrue to an owner of a small supermarket.

In part (a) although the names of the curves were given, many candidates were unable to correctly identify each curve.

Part (b) was generally well done by candidates, with most of them being able to list correct examples of services.

Part (c) was again very well done by most candidates who attempted this question. Candidates gave accurate descriptions of benefits accruing to the sole trader.

Part (d) proved to be most challenging for the candidates. Those who gained marks were able to identify the appropriate fixed cost (rent). However, many candidates confused fixed cost with fixed assets. Some gave items relating to a supermarket such as rice and sugar.

Question 8

This question was not a very popular one. However, over 80 per cent of those who attempted it gave satisfactory responses.

This question required candidates to demonstrate their ability to:

- Define the terms ‘efficiency’ and ‘wants’.
- List the examples of needs of society.
- Use the production possibility curve to explain the impact of:
 - unemployment of resources
 - improvement in new technology for one of the products produced

Discuss the concepts of scarcity, choice and opportunity cost given a particular scenario.

Part (a) (i) was satisfactorily answered. However, candidates must also add that efficiency is production done with minimal waste, expense or maximum output.

In part (ii) the term ‘wants’ was generally well defined as things that are not necessary for basic living.

Part (b) was also generally well done as most candidates stated food, water, shelter or clothing. However, some candidates gave incorrect responses such as health, education.

In Part (c) (i) the diagrams were generally poorly drawn. However, some candidates were able to draw, explain and identify the area of inefficiency. Some candidates failed to label diagrams correctly while some completely omitted labels.

In Part (ii) some candidates were able to recognize that the new production possibility curve should be drawn with a pivot favouring banana production. Some candidates drew the curve shifting to the right or omitted the diagram completely and gave an incorrect explanation. In the answer, candidates needed to explain that the bananas would now be produced at a cheaper cost with increased output and the output of sugar remaining constant.

Part (d) was generally well done. However, many candidates defined scarcity as just a general lack of goods and services. Candidates were required to define scarcity in terms of the limited resources available and unlimited wants of the individual. The terms “choice” and opportunity cost” were generally well explained with good examples.

Paper 03/1 – School Based Assessment

Title of Project

A number of topics chosen were too broad or too general for students to handle adequately, especially vague macroeconomics topics such as ‘Inflation in Jamaica’ or ‘Balance of Payments’.

It is recommended that students be guided to select much simpler topics that are more appropriate for the CSEC level. Reports should be based on studies within the school or community rather than the country as a whole (which is outside the scope of the CSEC level given the word limit required). Microeconomic topics such as ‘The Supply of Lunches in the Cafeteria at School X’ are ideal.

Purpose of Project

Most candidates were able to identify three objectives related to the title of the project. A few candidates stated only one legitimate research objective with the others being personal objectives.

Candidates are reminded that their aims or objectives must be clear and directly linked to the topic. Inappropriate statements such as ‘to gain full marks towards their final grade’ must be avoided.

Data Collection

This was also an area where candidates demonstrated good capability. In order to score maximum marks, candidates ought to identify in their methodology and/or bibliography at least three sources of data (textbooks, statistical reports, websites, questionnaires and observations). These sources should be correctly referenced in the bibliography and reference made to them in the report itself.

Presentation of Data

Performance in this area was average, as candidates failed to include different ways of presenting data such as pie charts, bar charts and tables. In some cases, this was due to poorly selected topics which did not lend themselves to adequate and efficient data collection. Candidates are also reminded that graphs, charts and other forms of data presentation should be properly labelled and must be appropriate for showing the type of data. For example, line graphs are more suited for continuous changes or variables over time.

Interpretation and Analysis

Most candidates were able to interpret adequately the data presented by stating the basic trends or information being shown in charts and graphs. However, the majority of candidates failed to go beyond the level of interpretation and did not provide meaningful trends using economic theory and concepts. Candidates are reminded that this is an extremely essential part of the report and they should ensure that enough time and effort is devoted to meaningful analysis. Candidates must also avoid textbook regurgitation or straight repetition of secondary data, as this does not constitute data analysis.

Findings

Not many candidates handled this section well, as they repeated exactly what was already said for interpretation and analysis instead of summarising the major research findings and give economic explanations for these conclusions. It must also be noted that findings/conclusions must be specific and directly related to the topic as well as reflective of the aims and objectives.

Recommendations

Many candidates completely omitted this section entirely or made very general recommendations which were not specific to their research. In this section of the report, candidates should give at least two specific recommendations which must be based on the research findings and backed up by economic theory where possible.

Communication of Information

This is an area where candidates should be able to score maximum marks by paying due attention to spelling, punctuation, sentence structure and other grammatical elements in their written reports as well as in the titles and labels of graphs and charts. Candidates should also be guided to compile the project sections logically and in proper sequence according to syllabus guidelines for the SBA.

It must be noted that while candidates are not penalised for hand-written reports and manually drawn graphs, these submissions should still be neatly and clearly done so that all information is communicated effectively.

Paper 03/2 – Alternative Paper

There was a general improvement in the overall quality of responses and performance.

Question 1

The question required candidates to:

- Define the terms demand and supply.
- State two characteristics of a cartel.
- State how the change in electricity rates is likely to affect businesses, with reference to the passage.
- State what measure will be necessary to reduce the influence of the Taibu Power Company as stated in the passage.

Very few candidates were able to clearly define demand in Part (a). Of those who defined the term, close to 80 per cent gave phrases such as “the needs and wants of society” or “the goods and services that people want to purchase”. They failed to highlight the fact that there must be a willingness to pay for the commodity. In addition, most candidates were unable to identify that it was at each specific price in a given time period. On average, candidates earned at least one out of a maximum of two marks.

As in Part (a), the majority of the candidates were unable to clearly define supply in Part (b). Part (c) was poorly done. Many candidates were unable to give standard characteristics of a cartel. They gave functions and in a few cases, disadvantages, instead of characteristics.

Parts (d) and (e) were fairly well done with the majority of candidates extracting the correct answers directly from the passage.

Question 2

The question required candidates to demonstrate their ability to:

- Calculate the price elasticity of demand for electricity.
- Interpret the results of the elasticity value obtained in the calculation.

This question was very poorly done by the majority of the candidates. Very few recalled the correct formula for the calculation. Moreover it was evident that most candidates did not know how to record the coefficient of the answer derived. Many of them gave the answers in percentage or in dollars.

Most candidates did not know how to interpret their answer, based on the responses received.

Candidates needed to explain whether the result showed was elastic and a very responsive effect or inelastic, and a not very responsive reaction to the price change.

Question 3

The question required candidates to:

- Describe three measures that consumers can take to reduce the impact of the electricity rate change.

Most candidates were unable to provide three separate and clear responses to the question. A number of them gave different points which stressed the same concept. Therefore full marks could not be awarded. It must be noted however, that most candidates were generally able to relate the question to everyday life experiences in that they mentioned some of the measures they would implement to reduce energy consumption or wastage; for example, turning off the lights, replacing bulbs with energy-saving bulbs and unplugging appliances that were not in use. The average mark obtained by candidates was estimated to be four out of a maximum of six.

Question 4

The question required candidates to:

- Explain two effects on households of Taibu as a result of the electricity rate change.
- Discuss two measures, other than those mentioned in the passage, that the government of Taibu can pursue to control the behaviour of the power company.

In Part (a), many candidates could not distinguish between a measure and an effect. A number of them repeated the responses given in Question 3. It was also observed that although candidates gave points, they were not adequately developed. Additionally, candidates could not demonstrate the ability to correctly utilise relevant economic terms which would have enhanced their marks for this question and hence their overall score.

Part (b) required candidates to give ways in which the government could intervene in order to end a monopoly situation. Additionally, candidates were instructed to describe a measure other than those mentioned in the case study that the government could use to control the behaviour of the power company. Many candidates failed to adhere to the instruction given and merely repeated what was already in the passage. Some candidates were able to identify one other measure. Again, points were given but not fully developed causing a failure to maximise marks.

Question 5

The question tested candidates' ability to:

- discuss two reasons why competition may be better for the company than the market structure in which the TPC operates, using examples.

Most candidates demonstrated an understanding of the question in general. The major problem, however, was their inability to develop their responses to obtain full marks. The average mark obtained by candidates was approximately six out of a maximum of ten.

Recommendations

It is evident that many candidates have difficulty with the application of knowledge as well as with analysing economic concepts and issues.

It is recommended that candidates:

- develop an understanding of how to respond appropriately to terms – such as ‘list’, ‘explain’, ‘distinguish’ since this will allow for more efficient time management and accurate responses.
- endeavour to utilize economic terms based on economic theory as opposed to everyday layman’s language.
- pay more attention to general literacy and spelling.
- spend more time on analysing ‘trends’ and encouraging economic data analysis.
- teachers are advised to emphasize the need to always label graphs correctly and completely.
- ensure that in instances where simplified examples are used to convey the concepts in the syllabus, candidates are able to transfer the knowledge correctly using the right terminology and graphical representations and written discussions.