

CARIBBEAN EXAMINATIONS COUNCIL

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

MAY/JUNE 2008

ECONOMICS

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GENERAL PROFICIENCY EXAMINATION
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GENERAL COMMENTS

The CSEC Economics examination of May/June 2008 was the second administration of the new syllabus. 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. Performance was fair. The mean mark was 36 out of a maximum of 60.

Paper 02

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 consisted of four compulsory questions while Section B comprised four optional questions from which candidates were expected to answer any two. In setting the questions in Section A and B, the examiners tested the candidates on two micro-economic and two macro-economic topics each. Performance was satisfactory. The mean mark was 38 out of a maximum of 100.

Question 1

This question was designed to test candidates' ability to:

- Define specialization.
- List the basic resource allocation decisions.
- Differentiate between goods and services using appropriate examples.
- Discuss the benefits that could be derived from a free market economy.

Part (a) was generally well done with most candidates identifying the main aspects of specific tasks or specific production as in the case of comparative advantage.

Part (b) was handled well with most candidates scoring full marks on this section of the question as they were able to identify the three decisions of what, how and for whom to produce. Weaker candidates confused the fundamental principles of scarcity, choice and factors of production for the resource allocation decisions.

Part (c) was very well done by candidates, with the stronger candidates attaining marks for precise definitions and excellent examples. The weaker candidates failed to give well developed definitions but were able to redeem themselves with adequate examples, thus not losing all four marks.

Part (d) was the most challenging part of the question. A clear distinction has to be made between the characteristics and benefits of the free market economy. Most candidates were able to state the characteristics but not the benefits. Candidates who were better prepared, showed how the characteristics allowed the benefits to be derived in a free market economy and were adequately rewarded.

Question 2

This question was designed to test candidates' ability to:

- State characteristics of a monopoly.
- List disadvantages of a monopoly.
- Differentiate between positive and negative externalities using appropriate examples.
- Discuss the consequences of market failure to an economy.

Part (a) was generally well done with most candidates being able to identify two characteristics as required. A few candidates demonstrated confusion between monopoly, perfect competition and sole trader.

Part (b) was generally not well handled with most candidates confusing characteristics with disadvantages. Some candidates were able to correctly identify popular responses of unfair competition, higher prices and restricted output.

Performance on Part (c) of the question was satisfactory. Candidates were able to give examples of negative externalities but fell down in their contributions of positive externalities. In addition, most candidates seemed not to be able to properly define positive and negative externalities.

Part (d) of the question was challenging for most candidates. They were able to identify the consequences of market failure but were unable to develop adequate explanations of these consequences.

Question 3

This question was designed to test candidates' ability to:

- Define credit union.
- List the functions of money.
- Explain the functions of the Central Bank.
- Explain the linkage between improvements in the way money transactions are conducted and the development of money over time.

Part (a) of the question was generally well done, with most candidates recognizing a credit union as a financial institution owned by members.

Part (b) was very well done by all candidates. They were able to identify three of the four functions of money. Only a small percentage of candidates confused the characteristics of money with the functions of money.

Part (c) was done fairly well. Most of the candidates were able to list the functions of the Central Bank but demonstrated weaknesses in explaining those functions.

Part (d) posed the greatest degree of difficulty for candidates. Whilst most candidates were able to identify the stages in the development of money, they encountered difficulty in explaining how these developments helped to improve the way in which monetary transactions are conducted.

Question 4

This question was designed to test candidates' ability to:

- Define standard of living.
- List the factors that affect economic growth.
- Calculate the Gross Domestic Product of a country.
- Discuss how fiscal policy can be used to promote economic growth.

Part (a) of the question was fairly well done with candidates losing marks by failing to emphasise some reference to quality of life.

Part (b) was generally well done. Candidates were able to identify numerous factors that affected economic growth with the more popular choices being trade, investment and government policy.

Part (c) was poorly done. Most candidates were unable to calculate GDP correctly. It was evident that most candidates were unaware of the formula used to calculate GDP.

Part (d) was dealt with in a fair manner. Some candidates confused monetary policy with fiscal policy and those who accurately identified changes in government spending and taxation, erroneously explained a contractionary policy when an expansionary policy was required for economic growth.

Question 5

This question was designed to test candidates' ability to:

- Define unemployment and inflation.
- List the types of unemployment.
- Identify the effects of the removal of preferential trading arrangements on an economy.
- Discuss measures used to handle the consequences that are generated by this removal.
- Explain how CSME can contribute to economic development in a Caribbean territory.

Part (a) was generally well done. Candidates were able to adequately define unemployment and inflation respectively. The weaker candidates failed to state that for someone to be unemployed, they had to at least be willing to work. With regards to inflation, they failed to include the key word "persistent" to describe the increase in prices.

Part (b) was generally well done by all candidates with most of them scoring full marks.

Part (c) seemed to have posed the greatest difficulty to candidates. In a number of cases, candidates seemed confused by the concept of preferential trading arrangements. Candidates also failed to see the term "effect" as warranting a discussion on both positive and/or negative effects of the removal of these arrangements. Part (c) (ii) showed further evidence of the candidates' misunderstanding of the concept as candidates tended to discuss the imposition of tariffs as being synonymous with preferential trade arrangements thus limiting their contribution.

Part (d) was generally well done with most candidates scoring full marks.

Question 6

This question was designed to test candidates' ability to:

- Define price and income elasticity.
- Identify determinants of price and income elasticity of demand.
- Interpret zero cross elasticity with an example.
- Discuss the likely impact of a rise in oil prices on research in bio-fuels and the type of vehicles purchased.

Part (a) was widely known by candidates. However, greater emphasis must be placed on "sensitivity/responsiveness" to demand when defining price and income elasticity respectively.

Part (b) was generally well done. However, greater emphasis has to be given to the determinants of the **type of elasticity** rather than confusing these with the determinants of demand.

Part (c) confirmed that candidates had difficulty interpreting zero cross elasticity. They could not relate it to independent or unrelated goods; hence the erroneous examples given.

Part (c) indicated that a few candidates had problems relating high oil prices to gasoline prices and the research in bio-fuels as a search for an alternative fuel. Most of the candidates understood the need for cheaper, more fuel efficient vehicles and alternative means of transportation.

Question 7

This question was designed to test candidates' ability to:

- Differentiate between the terms of trade and the balance of trade.
- List the component parts of the balance of payments.
- Explain measures used to correct a balance of payments deficit.
- Discuss ways in which a rise in oil prices could affect the balance of payments of a non-oil producing economy.

Part (a) was fairly well done by the better prepared candidates. There is a worrying trend of candidates defining terms of trade as the rules and regulations governing trade agreements between countries rather than a ratio of export to import prices. In defining balance of trade, many candidates wrote that it involved the difference between visible and invisible exports and imports instead of visible trade only.

Part (b) was managed fairly well by candidates. However, some candidates listed only two components, the current and capital account and failed to include the official financing segment as the third component.

Performance on Part (c) was fair. However, candidates should have considered various measures to correct a balance of payments deficit instead of focusing solely on import-reducing measures, namely tariffs. Alternatives were the use of fiscal policy to reduce aggregate demand and manipulating the external value of the country's currency.

Part (d) was poorly done. Candidates failed to relate the impact of the rise in oil prices to the impact on specific parts of the Balance of Payments, namely a worsening visible trade, draw down on official reserves and increased borrowing in the capital account. In most cases, they simply looked at the impact of a rise in oil prices on the economy as a whole.

Question 8

This question was designed to test candidates' ability to:

- Define Economics and Production Possibility Frontier (PPF).
- Identify factors that would cause an outward shift in the PPF.
- Explain a factor that would cause an inward shift.
- Explain the concepts of efficiency and opportunity costs using a PPF.
- Suggest reasons why scarcity and choice are important for individuals making economic decisions.

Part (a) was satisfactorily done. Generally the definitions were good. The main problem in defining Economics was that candidates omitted that it was the study of how resources were allocated in an economy. Alternatively, candidates offered a partial definition for the PPF. They were required to include both "the possible combinations of two goods that can be produced" AND "utilizing all resources".

Part (b) was poorly done. Candidates confused factors causing an outward shift in a demand curve with factors causing an outward shift in the PPF. Those who accurately identified increases in factors of production sought to gain additional marks by listing an increase in each factor of production as a separate point. However, it was only counted as a single point. Other options could come from more efficient methods of production, improvements in technology and foreign direct investment.

Part (c) (i) was not properly answered by most candidates. Those who correctly identified a factor that would shift the PPF inward, did not offer additional information to support their answer to earn the additional point.

Part (c) (ii) was also poorly done. Most candidates failed to use the PPF to answer the question. Those who used it to explain opportunity cost presented alternative combinations of the PPF instead of indicating the difference given up in moving from one alternative point to the other. The concept of efficiency was poorly explained and not indicated on the PPF.

Part (d) presented a challenge to the candidates. Candidates offered definitions of the concepts instead of discussing how knowledge of the concepts would influence economic decisions.

Paper 03/1

This was the School-Based Assessment (SBA) component and performance was satisfactory with a mean score of 28 out of 40. The 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.
- Benefit from their teachers' involvement in the evaluation process.

Accordingly, candidates were expected to present a report that 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.
- Make recommendations based on findings and suggest measures for their implementation.

Candidates should be encouraged to adhere to the word limit of 1 000 to 1 200 words. It was observed again this year that there were a substantial number of projects exceeding the word limit. Candidates are penalized for not observing the word limit and teachers need to enforce this.

Candidates should be encouraged to select manageable topics that are related to Economics. In some instances candidates chose topics that were more related to Sociology and behavioural social sciences.

Candidates 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 these sources.

It is imperative that candidates seek to link the various parts of their projects. 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 may have been responsible for the results found.

Candidates are once again cautioned that plagiarism will be dealt with severely. The copying of extracts from sources is totally unacceptable. Additionally, candidates were found to be submitting identical projects or portions of the project that were identical. Educators are therefore encouraged to be more vigilant to these possibilities.

Paper 03/2

This paper was the alternative to School-Based Assessment and it tested candidates' proficiency in interpreting and explaining quantitative data on regional indicators of real growth, inflation and current account statistics for selected Caribbean territories. It consisted of five questions for a total of 40 marks. Performance was generally weak with a mean mark of 9 out of 40.

Question 1 (a) sought to test candidates' ability to define inflation. This was very well done with most candidates identifying a persistent rise in the general price level.

Question 1 (b) proved to be a challenge to the candidates. Very few candidates were able to make the distinction that the estimates represented an approximation of current statistics while the forecast represented a future projection.

Question 2 tested candidates' knowledge of "Real GDP growth". Responses to part (a) were poor and most candidates did not establish the link between increases in the actual volume of goods produced and the need to take out any distortions in price that could affect the value of GDP that would tend to overstate the growth figures.

Question 2 (b) was well done with most candidates correctly identifying Guyana as the country showing negative real growth.

Question 2 (c) proved to be challenging to the candidates. The better prepared candidates identified natural disasters and/or man-made disasters like wars and productivity problems. Other candidates referred to falling growth rather than considering negative growth specifically.

Question 3 (a) was well done with most candidates being able to identify items that would be found in the current account of the balance of payments. A few candidates mistakenly included items from the capital account section.

Performance on Question 3 (b) was fair. Although many candidates omitted this section of the question, those candidates who offered economic suggestions were rewarded. Examples were a strong tourist sector and good management of the economy.

Question 3 (c) was well done with most candidates identifying exportation of petroleum or petroleum-based products as the main factor for Trinidad and Tobago's positive current account balance.

Question 4 (a) showed a disappointing performance by candidates. They failed to determine the trend of falling growth for the Dominican Republic and increasing growth for Jamaica. The candidates who managed to establish the trend did not substantiate it with the statistics from the data.

Question 4 (b) was poorly done. Candidates were unable to state factors which led to falling growth and increasing growth respectively because they had not properly contrasted the trend in Question 4 (a).

Question 5 (a) specifically asked for the use of statistics and this was totally ignored by most candidates. This question required a description of the regional indicators, preferably using percentage changes. Candidates, although performing slightly better on this question, still were not at the standard required. Interpretive skills need to be better developed.

Question 5 (b) required interpretation of statistics to determine that inflationary pressure and the problems that would arise from this would occur because of Trinidad and Tobago's strong current account balance and rising inflation. Candidates generally performed poorly with some candidates not attempting the question.

Question 5 (c) tested candidates' ability to correct the inflationary problem using fiscal policy. Some candidates mentioned what fiscal policy was without indicating what had to be done to government spending and taxation to achieve this goal.

GENERAL RECOMMENDATIONS

There are some definitive observations which can help to improve the performance of candidates. 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, thus providing responses that were not up to the required standard.

It is clear that the schools still require some assistance with the undertaking of SBA. It is hoped that the teachers from the various territories who took part in the annual CXC marking exercise this year share the information and experience gained with their colleagues. They can thus act as dissemination agents in order to ensure that the quality of work in the SBA is at an acceptable level.