

Principal examiner reports for teachers

Principal examiner reports for teachers summarise what candidates did well and what candidates needed to improve for this examination series only.

This report is to be used in conjunction with the question paper and mark scheme.

For guidance on teaching and learning we provide resources for many of our syllabuses.

Resource	Where to find it
Grade descriptions – Grade descriptions describe the level of performance typically demonstrated by candidates achieving the different grades awarded for a qualification.	School support hub Select: Subject > Resource finder > Syllabus and specimen materials
Schemes of work – Schemes of work are designed to support you in your teaching and lesson planning.	School support hub Select: Subject > Resource finder > Teaching and learning
Lesson planning – Guidance on how to plan a lesson.	Lesson planning
Resource plus – There may be additional resources such as teaching packs containing lesson plans, resources and worksheets and videos for aspects of your syllabus.	School support hub Select: Subject > Resource finder > Teaching and learning
Teaching tools	Teaching Tools
Exemplar candidate responses	School support hub Select: Subject > Resource finder > Teaching and learning
Learner guide – A guide for students to help them understand what the course involves.	School support hub Select: Subject > Resource finder > Teaching and learning
Community forums – Do you have a question or something to share? Our online forums are great way to keep up to date with your subject and the global Cambridge community.	Community forum on the school support hub
Access to scripts for this series.	Access to scripts service
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ECONOMICS

Paper 2281/11 Multiple Choice
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Key messages

Candidates performed well on **Questions 1, 2, 3, 5, 6, 7, 8, 12, 14, 16, 17, 18, 19, 20, 21, 23, 24, 25, and 28.**

Candidates performed less well on **Questions 4, 9, 10, 11, 13, 15, 22, 26, 27, 29, and 30.**

Candidates demonstrated more comprehensive knowledge and understanding of the macroeconomic questions than the microeconomic ones. Performance was generally more limited on questions that required candidates to interpret information presented in graphs or tables.

Comments on specific questions

Question 4

- Option **C** was a common incorrect answer.
- Option C was likely chosen because candidates often assume that market forces aim to make the distribution of goods and services more equal. This is a common misunderstanding.
- The correct answer, option A, reflects the core function of the price mechanism: signalling relative scarcity.

Question 9

- Option **D** was a common incorrect answer.
- Option D was likely chosen because candidates calculated the government's spending as $\$4 \times 110\,000\text{ kg}$, assuming the government purchases all of the rice supplied at the minimum price. This is a common error.
- The correct answer, option B, recognises that the government only buys the surplus rice. At a price of $\$4$ per kg, the surplus is $20\,000\text{ kg}$ ($110\,000 - 90\,000$), so government expenditure is $\$80\,000$.

Question 10

- Option **C** was a common incorrect answer.
- This item uncovers a common misconception about interpreting percentage changes shown on a graph.
- Option C was likely chosen because construction workers' annual percentage change in earnings became less negative throughout year 2. A common error was to assume that a less negative percentage change indicates rising wages. In fact, earnings were still falling, but at a slower rate.
- The correct answer, option B, shows that construction workers' wages fell relative to public sector workers' wages over the period, as public sector earnings continued to increase while construction workers experienced negative annual percentage changes in earnings for most of the two years.

Question 11

- Option **D** was a common incorrect answer.
- Option D was likely chosen because candidates associated higher wages with greater demand for dentists. A common error was to treat the increase in the wage rate as the cause of the outward shift in demand, rather than recognising that it is the result of the shift.
- The correct answer, option C, shows that an increase in the size of the population raises the demand for dental services. This increases the derived demand for dentists and shifts the demand curve for labour to the right.

Question 13

- Option **A** was a common incorrect answer.
- Option A was likely chosen because candidates often assume that age is irrelevant to firm size. This is a misunderstanding of the stem: older firms typically have had more time to expand, (organic growth) so age can influence size and is therefore not the best answer to 'does not influence'.
- The correct answer, option B, reflects that the sector in which the firm operates does not, by itself, determine its size. In all sectors there are both very small and very large firms, so sector is the factor least likely to influence firm size.

Question 15

- Option **D** was the most common incorrect answer.
- This item uncovers a frequent misconception about how average fixed cost (AFC) is calculated from cost data.
- Option D was likely chosen because candidates often divide total cost by output, rather than isolating fixed cost first. This is a common error.
- The correct answer, option A, reflects the correct method: fixed cost remains at \$30 000, and dividing this by 20 000 units gives an AFC of \$0.50.

Question 22

- Option **D** was the most common incorrect answer.
- Option D was likely chosen because candidates believe that an increase in the money supply leads to inflation and then assume inflation itself causes recession. This chain of reasoning is a common misunderstanding.
- The correct answer, option C, reflects that an increase in interest rates is most likely to cause a recession, as higher borrowing costs reduce consumption and investment across the economy.

Question 26

- Due to an issue with question 26, this question has been discounted. Each candidate's total mark has been multiplied by a weighting factor so that the maximum mark for the question paper remains unchanged.

Question 27

- Option **D** was a common incorrect answer.
- This item uncovers a frequent misconception about what drives a country's decision to specialise in making low-cost mass-produced clothing.
- Option D was likely chosen because candidates often assume that strong international competition forces a country to specialise in order to remain competitive. This is a common misunderstanding, as high competition usually discourages specialisation in that sector rather than motivate it.
- The correct answer, option A, reflects that a large low-skilled workforce is the most likely factor influencing specialisation in low-cost, mass-produced clothing, as it provides a clear comparative advantage in labour-intensive production.

Question 29

- Options **A** and **D** were common incorrect answers.
- Option A was likely chosen because candidates focused on what is true of floating exchange rates, rather than on which is *least likely* to be a benefit. Greater freedom to change the interest rate is an advantage of a floating system, so selecting A shows a possible misreading of the question stem.
- Option D was chosen possibly reflecting a misunderstanding of how floating systems reduce the need to defend a currency.
- The correct answer, option C, reflects that floating exchange rates do not provide greater certainty and stability; their value fluctuates according to market forces, making this the least likely benefit.

Question 30

- Options **B** and **C** were common incorrect answers.
- Options B and C were likely chosen because candidates often add or subtract only the trade balance, or mis-handle the signs on net flows. These are common errors.
- The correct answer, option D, reflects the full calculation: the trade deficit (−4), plus net services (+5), plus net primary income (−8), plus net secondary income (−8), giving a current account balance of −15 billion.

ECONOMICS

Paper 2281/12 Multiple Choice
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Key messages

Candidates performed well on **Questions 1, 2, 3, 4, 5, 8, 9, 11, 12, 13, 15, 16, 17, 19, 20, 21, 24, 25, 26, and 29.**

Candidates performed less well on **Questions 6, 7, 10, 14, 18, 22, 23, 27, 28, and 30.**

Candidates demonstrated more comprehensive knowledge and understanding of the macroeconomic questions than the microeconomic ones. Performance was generally more limited on questions that required candidates to interpret information presented in graphs or tables.

Comments on specific questions

Question 6

- Option **A** was a common incorrect answer.
- This item uncovers a frequent misconception about what causes an extension in supply.
- Option A was likely chosen because candidates often confuse a shift of the supply curve with a movement along it. A decrease in production costs shifts the supply curve to the right, but it does not cause an extension along the existing curve.
- The correct answer, option D, reflects that an extension in supply is caused by an increase in the price of the good, resulting in a movement along the supply curve.

Question 7

- Option **A** was a common incorrect answer.
- This item uncovers a frequent misconception about how to apply the elasticity of demand formula.
- Option A was likely chosen because candidates inverted the elasticity formula, rather than dividing the percentage change in quantity by the percentage change in price. This leads directly to the incorrect answer of 5%.
- The correct answer, option D, reflects the correct use of the formula: $\% \Delta Q = \text{elasticity} \times \% \Delta P$, so a 10% reduction in consumption with an elasticity of -0.5 requires a 20% increase in price.

Question 10

- Option **C** was a common incorrect answer.
- Option C was likely chosen because candidates often associate any change in value with the 'store of value' function. This is a misunderstanding: the example shows money being used to measure the value of rice in different years, not to store purchasing power. Selecting C indicates that candidates may have focused on the changing price rather than the role money is performing.
- The correct answer, option B, reflects that quoting the price of rice in different years demonstrates the unit of account function, as money is being used to express and compare values.

Question 14

- Option **A** was a common incorrect answer.
- This item uncovers a frequent misconception about how to interpret proportional changes in inputs and output.
- Option A was likely chosen because candidates often assume that any increase in factor inputs indicates diseconomies of scale. This is a misunderstanding: diseconomies occur when inputs rise more than proportionately compared to output. In the table, inputs rise proportionately with output, so selecting A shows that candidates did not compare input and output changes correctly.
- The correct answer, option B, reflects that the firm is experiencing economies of scale, as doubling output from 100 to 200 requires only a proportional increase in land, labour, and capital, indicating constant or falling average costs.

Question 18

- Option **B** was a common incorrect answer.
- Option B was likely chosen because candidates may believe any policy involving training or productivity automatically increases costs. This is a misunderstanding: raising productivity is not inflationary and can even help reduce inflation by lowering unit/average costs.
- The correct answer, option D, reflects that raising benefits increases total demand, making it more difficult for the government to reduce inflation.

Question 22

- Option **C** was a common incorrect answer.
- This item uncovers a frequent misconception about how to identify a recession using quarterly GDP data.
- Option C was likely chosen because candidates can think that any single fall in GDP indicates a recession. This is a misunderstanding: a recession requires two consecutive quarters of falling real GDP. Selecting C shows that candidates focused only on the drop from quarter 2 to quarter 3.
- The correct answer, option D, reflects that GDP fell in quarter 3 and again in quarter 4, giving two consecutive quarters of negative growth.

Question 23

- Option **C** was a common incorrect answer.
- Option C was likely chosen because candidates misread the table and treated the 5 million self-employed as if they were unemployed. They also incorrectly included the long-term sick in the labour force. Using these wrong figures gives an unemployment rate of $5 \div 35 \times 100 \approx 14.2\%$, which explains why C was a popular distractor.
- The correct answer, option A, reflects the proper definition of the labour force: employed + self-employed + unemployed actively seeking work. Using $3 \div 33 \times 100$ gives the correct unemployment rate of 9.09%.

Question 27

- Option **A** was a common incorrect answer.
- Option A was likely chosen because candidates focused on the 'disadvantage' wording and selected the option that sounded most obviously negative, without linking it to how specialisation works. They confused specialisation with general cost increases, rather than recognising that specialisation is usually associated with efficiency and therefore lower average costs.
- The correct answer, option C, reflects that specialising at a national level increases exposure to external shocks. If a country relies heavily on a narrow range of industries or exports, then shocks can more easily have a damaging impact.

Question 28

- Option **B** was a common incorrect answer.
- Option B was likely chosen because candidates incorrectly believe that globalisation leads to shorter supply chains, as if international integration means production becomes more centralised. This misunderstanding leads them to treat longer supply chains as something ‘not’ associated with globalisation, and therefore select B.
- The correct answer, option C, reflects that globalisation is characterised by reduced trade barriers and increased openness.

Question 30

- Option **B** was a common incorrect answer.
- This item uncovers a frequent misconception about how current account deficits interact with the exchange rate.
- Option B was likely chosen because candidates assume that higher economic activity or higher spending automatically strengthens a country’s currency. They link a deficit with ‘more imports and greater trade volumes’, concluding a greater currency demand. This misunderstanding leads them to select B, even though a current account deficit typically puts downward pressure on the exchange rate.
- The correct answer, option D, reflects that unemployment is the variable most likely to increase immediately, as domestic industries facing weaker external demand may reduce output and jobs.

ECONOMICS

Paper 2281/21 Structured Questions

Key messages

What candidates did well

- Candidates made good use of the case studies provided in their answers.
- Candidates were able to connect economic concepts with standards of living well.
- Candidates demonstrated clear knowledge of core economic concepts, such as opportunity cost.
- Candidates could identify the relationship between two variables, for example, 'positive/direct relationship between number of doctors per 1000 people and life expectancy'.
- Candidates showed good understanding of application skills to real-life situations.
- Candidates developed concise chains of reasoning, especially when developing links to form a logical chain of argument.
- Candidates showed clear evaluative skills in extended responses, offering alternative arguments when required.

What candidates needed to improve

- Candidates needed to further interpret data-response questions, such as in **Question 1(g)** and **1 (h)**, rather than copying data without explaining how it supported a specific trend.
- Candidates needed to demonstrate clearer understanding of the relationship between certain changes in variables and macroeconomic objectives.
- Candidates needed to remember that simply identifying a reversed argument without providing an explanation was not sufficient.
- Candidates needed to remember to always answer the question more directly.
- Candidates needed to avoid simply arguing that a variable will 'change' and instead provide a direction to the change.
- Candidates needed to apply elasticity concepts more accurately.
- Candidates needed to know the difference between a Demand and Supply Diagram and a Production Possibility Curve (PPC) diagram.
- Candidates needed to know the difference between a 'substitute' and 'subsidies'.
- Candidates needed to know the difference between a 'budget deficit' and a 'current account of the balance of payments deficit'.
- Candidates needed to ensure that it is the position or change in the position of the 'current account of the balance of payments' which is a macroeconomic objective, not simply 'balance of payments' alone.
- Candidates needed to remember to be as specific as possible, for example, in **Question 4(a)**, it was not sufficient to say 'bank account'. Candidates had to specify the type of account, that is, whether it was a current account or a savings account. In Question 4(c), a specific policy measure was required, not simply the outcome or effect of a possible policy measure.

Comments on specific questions

Section A

Question 1

- (a) Due to a series-specific issue with question 1a, full marks were awarded to all candidates to make sure that no candidates were disadvantaged.
- (b) **Comprehensive responses**
- Most candidates identified two of the three valid reasons. For example, high government spending on pensions, increasing life expectancy, or the need to increase the labour force.

Limited responses

- Some candidates were able to identify one of the valid reasons for raising the retirement age.
- A few candidates gave incomplete reasons, for example, stating that there was an impact on the labour force without specifying the actual impact.

(c) Comprehensive responses

- Most candidates identified higher wages as a reason for emigration to the USA and related it to improving living standards or quality of life, increasing purchasing power, or sending remittances back home.

Limited responses

- Some candidates only identified higher wages without providing further explanation on the effect of higher wages.

(d) Comprehensive responses

- Some candidates could identify and explain how a more progressive tax, increased spending on education, and health care lead to lower inequality.
- Many candidates explained that higher spending on education would lead to improved skills and therefore higher earning potential.

Limited responses

- Most candidates only identified the causes, without explaining them accurately.
- When explaining progressive tax, many candidates stated only that people with higher incomes pay more tax, rather than developing their responses to explain that they pay a greater percentage, proportion, or rate of tax.

(e) Comprehensive responses

- Many candidates were able to accurately draw a demand and supply diagram, with a shift in the demand curve to the right, while clearly labelling the axes, curves, shifts, and equilibrium positions.
- Many candidates marked the change in equilibrium clearly, showing a coherent understanding of how increased demand affects market outcomes.

Limited responses

- A significant number of candidates were able to draw an upward sloping and downward sloping curve although they missed some labelling.
- There were some candidates who labelled the upward sloping curve as D and downward sloping curve as S.
- Some candidates shifted both the demand and supply curve, which led to getting the wrong final equilibrium.
- Some candidates shifted the wrong curve, making the analysis unclear.
- Many candidates included some written text which was not required.

(f) Comprehensive responses

- Candidates were able to identify the expected positive relationship from the data provided and explain what this meant. They generally followed this with evidence from the data to support their view and an explanation of why the relationship existed.
- Comprehensive responses identified the exception (Uruguay and New Zealand) with supporting evidence and analysed why this exception may have come about.

Limited responses

- Candidates generally identified the relationship and the supporting evidence tended to be just a repeat of the figures from the table.
- The analysis either was not provided or was superficial.
- Similar candidates often incorrectly identified the exception and were therefore unable to provide evidence and analysis relating to it.

(g) Comprehensive responses

- Candidates were able to make full use of the information provided in the case study such as the effect on investment, international competitiveness, and firms' willingness to increase output. They did not simply copy and paste words from the case study.

- Candidates showed the direction the variables were going and made a relevant explanation to support the point.
- Most candidates demonstrated a clear understanding of a low inflation rate and its benefits to Uruguay's economy, including increased investment, greater confidence and certainty, higher aggregate demand or economic growth, improved international competitiveness, increased exports, and reduced unemployment.
- Some candidates counterargued that low inflation could lead to a delay in consumer spending, which could lead to deflation, and also recession.

Limited responses

- Most candidates started on the premise that a low inflation rate will reduce prices – this is conceptually incorrect.
- Many candidates simply copied and pasted sentences from the case study, focusing only on the increase in investment, as the other directions were not provided directly in the case study. For example, candidates did not identify that international competitiveness had changed or that the cost of debt had been impacted.
- Some candidates focused their answers on the reduction in cost of production, reduction in prices, output, economic growth, GDP and aggregate demand as separate points.
- Many responses discussed the impact of a reduction in prices, not a reduction in inflation.

(h) Comprehensive responses

- Some candidates compared the benefits and drawbacks of monopolies and correctly explained how economies of scale and the lack of competition would affect prices and quality.
- A few candidates successfully discussed how high level of profits could be used to result in innovation and improved efficiency.

Limited responses

- Many candidates identified one of two benefits and then gave the same points as drawbacks. For example, prices and quality could be either higher or lower.

Section B

Question 2

(a) Comprehensive responses

- Some candidates successfully defined price mechanism in terms of how changes in demand or supply caused a change in price.

Limited responses

- Many candidates understood that supply and demand had some impact on prices and did not explain how.
- The definition given was for how market equilibrium was achieved.

(b) Comprehensive responses

- Some candidates effectively analysed PED through the level of responsiveness of quantity demanded to a change in price, comparing elastic and inelastic demand, and then relating it accurately to changes in total spending.
- Some candidates explained that, with elastic demand, a price increase leads to a larger percentage fall in quantity demanded and a decrease in total spending. They also explained that, with inelastic demand, a price increase leads to a smaller percentage fall in quantity demanded and an increase in total spending.
- A few candidates explained that when demand is inelastic, price and total spending move in the same direction; while when demand is elastic, price and total spending move in opposite directions.

Limited responses

- Most candidates could not express their understanding of price elasticity of demand clearly, either not mentioning the effect of a change in price or not mentioning that the change in quantity demanded was caused by a change in price.
- Many candidates simply repeated the law of demand instead of analysing the elasticity of demand.

(c) Comprehensive responses

- Candidates clearly identified two or three reasons that could influence the ability to gain a wage rise and developed it fully, such as following trade union arguments with bargaining power and industrial action and skills with supply and demand of labour.

Limited responses

- Candidates simply identified factors without explaining them further.

(d) Comprehensive responses

- The most comprehensive responses argued in detail that protecting industries would lead to a reduction in unemployment and would protect infant industries and evaluating it by arguing that it could lead to retaliation and complacency.
- The most comprehensive answers used accurate and appropriate key terms and had developed chains of reasoning.
- Some candidates discussed reasons why governments may choose to protect or not protect the country's industries, covering issues such as protecting employment, supporting infant industries, preventing dumping, and improving the country's balance of payments.
- Quite a few candidates provided responses that were clear and well balanced, often including conclusions and considerations of wider issues such as retaliation, inefficiency, and the government's cost of protecting industries.

Limited responses

- A significant number of candidates identified the effects of protecting industries without accurate chains of reasoning as to why it would lead to such benefits or costs.
- Many candidates' responses were one-sided, usually focusing only on why governments should protect industries.
- Some candidates discussed unrelated issues without linking them to the main arguments for or against protecting industries.
- A few candidates listed simple statements with limited development.

Question 3

(a) Comprehensive responses

- Candidates clearly identified two key features of a tax by stating who pays the tax and that the government is the recipient.

Limited responses

- These answers generally provided either who paid the tax or that the government was the recipient and not both.

(b) Comprehensive responses

- There were only a few responses that demonstrated a thorough understanding of the question, with candidates correctly identifying two different factors and providing two relevant explanations for each point identified.
- Many candidates demonstrated a clear understanding of what causes the shift of PPC to the right which included the discovery of natural resources, improved education, advanced technology, and rise in size of labour among others.
- Some candidates developed their responses by explaining how the PPC could shift to the right through increased productivity, efficiency, productive capacity and ability to produce more.

Limited responses

- A significant number of candidates were using irrelevant information from the stems to answer the question.
- Many candidates misunderstood the concept of shifts in the PPC, not being able to differentiate it with movements of a point within or on a PPC.
- A majority of candidates who managed to identify the correct reasons repeated the same explanation for different points.
- Some candidates identified the reasons and omitted to explain how they shift the PPC to the right.
- Some candidates provided wrong answers like economic growth, reduction in taxes, subsidies, more demand and so on.

- Many responses explained how actual production would increase – showing a lack of appreciation of the significance of the frontier itself.

(c) Comprehensive responses

- Some candidates produced a discussion of the benefits to a firm of only producing luxury electric vehicles, covering efficiency and demand impacts.
- A few candidates provided responses which were comprehensively argued covering a wide range of issues including financial impacts and consideration of elasticity of demand.

Limited responses

- Many candidates' responses were not able to provide detail or were of limited focus, for example, by stating the impact on revenue without explanation.
- Some candidates discussed drawbacks to the firm or benefits to the wider economy rather than addressing the question set.

(d) Comprehensive responses

- Many candidates were able to give a balanced and in-depth explanation of how government subsidies would reduce prices, increase usage leading to less pollution and congestion as people shifted from using cars to using buses.
- Answers also explained how there was an opportunity cost for the government. For example, the funds could have been used for education or health, or this could have meant having to raise taxes.

Limited responses

- Some candidates understood what a government subsidy was and were able to explain the positive impact it would have on bus prices and the benefits for those using buses.
- There was often limited explanation of why a government should not subsidise buses. Often this was limited to some idea about opportunity cost.

Question 4

(a) Comprehensive responses

- Many candidates were able to identify two distinct services that a commercial bank offers, the most common being 'providing loans' and 'savings'.

Limited responses

- Some candidates were only giving different conveniences offered by having a current account such as accept deposits/current accounts/withdrawal/transferring money/making payments/debit cards/cheque book.
- Some candidates stated some vague answers like investment and online banking.

(b) Comprehensive responses

- Many candidates gave two good reasons: 'focusing on larger market access' and 'availability of resources especially labour'. Fewer students considered 'being closer to their customers'.
- Many candidates were able to take each of these factors and explain its effect on demand, revenue, or profit. Alternatively, some focused on the cost-saving and efficiency route.
- A few candidates considered the effect on the economy or environment rather than on the firm.

Limited responses

- The answers were limited to just identifying the point without providing a relevant explanation.

(c) Comprehensive responses

- Comprehensive responses identified 2 or 3 specific policies such as devaluation, providing subsidies, and improving infrastructure, and then explaining it, without repeating the same points for each explanation.

Limited responses

- Many candidates did not identify specific policy measures that the government could take; for example, only stating that 'price would decrease' without giving a policy of how price would decrease.
- A few candidates provided only a few methods without further development or explanation as to how it helps increase exports.
- Some candidates mentioned imposing trade barriers to increase exports which is not very relevant.
- Many candidates did not argue from the premise of the question (which was that governments can only influence the actions of firms, not direct them).

(d) Comprehensive responses

- The most common points provided were an increase in the labour force and an increase in demand for goods and services, on the one hand, and increased inflation and pressure on social amenities, on the other.
- The most comprehensive responses expanded on these points by relating them to a macroeconomic objective, the impact on standards of living, or, in some cases, the impact on business profits.

Limited responses

- Most candidates were able to provide a correct answer to the question, and the more limited responses relied more on common sense than using actual economic terminology and key concepts.

Question 5

(a) Comprehensive responses

- Comprehensive responses were able to identify two dynamic causes of why there was an increase in enterprise.

Limited responses

- These answers either did not state factors that impact upon the change in the level of enterprise or adopted a static approach which did not address the increase in enterprise.
- Most responses confused the factor of production enterprise with firms/enterprises.

(b) Comprehensive responses

- Comprehensive responses clearly identified a point and then developed it by using relevant key concepts and/or relevant general explanations.
- Majority of the candidates were able to identify the reasons like higher wages, shorter working hours, lack of alternatives, fringe benefits.
- Some candidates were able to develop their points, such as wanting to improve their standard of living, having no qualifications, and being accustomed to working in high temperatures, among others.

Limited responses

- Candidates who did not use economic terminology such as 'living standards', 'fringe benefits', 'job satisfaction', and 'unemployment benefits' were often unable to fully develop their responses, despite correctly identifying a reason why a worker may work outside in high temperatures.
- Some candidates identified the reasons although were unable to develop their points.

(c) Comprehensive responses

- Many candidates produced a discussion of the impact of a decrease in productivity on employment and GDP.
- Some candidates produced responses which were clearly argued containing a range of impacts including international trade and cost-push inflation.

Limited responses

- Many candidate responses produced a list of impacts although unable to provide detailed explanation or incorrectly explained the impact. For example, how a reduction of productivity would increase employment.
- Some candidates listed simple reasons with limited development. For example, they stated that prices would rise but did not consider the impact this could have on inflation or international competitiveness.

(d) Comprehensive responses

- Many candidates were able to explain how economic growth provided resources for the government to spend on education and healthcare and that firms would employ more workers and pay higher wages resulting in less absolute poverty.
- Developed answers also explained that growth could mean income being unevenly distributed leading to greater income inequality and relative poverty.

Limited responses

- Some candidates understood the basic economic terms of economic growth and poverty and were able to provide simple explanations of how economic growth could lead to lower poverty through the creation of jobs.
- Responses were usually not fully explained as to why it might not reduce poverty.

ECONOMICS

Paper 2281/22 Structured Questions

Key messages

What candidates did well

- Candidates demonstrated a clear understanding of how to perform basic calculations based on economic data, for example, calculating the current account surplus as a percentage of a country's GDP (Gross Domestic Product).
- Candidates demonstrated clear knowledge of fundamental economic concepts such as opportunity cost and economic goods.
- Candidates identified relationships between sets of economic data and provided supporting evidence in questions such as **1(f)**.
- Candidates demonstrated a clear understanding of how to apply the concept of price elasticity of demand accurately and effectively in a dynamic context.
- Candidates identified a wide range of relevant economic consequences of a major economic event, such as the building of a new port in **1(h)**.
- In the extended responses in **part (d)** of the optional questions, candidates provided focused economic analysis, with causes and consequences linked effectively in logical chains of reasoning.
- Candidates showed good understanding of macroeconomic terminology and concepts such as total demand, economic growth, unemployment and current account of the balance of payments. They also demonstrated understanding of how these may be affected by changing economic circumstances and government policies.

What candidates needed to improve

- Candidates need to demonstrate a clearer understanding of some basic economic definitions such as 'the birth rate' and the meaning of changes in economic variables, for example 'falling inflation'.
- Candidates need to develop a clearer understanding of the nature and features of the primary, secondary and tertiary sectors and the possible causes and consequences of changes in the relative size of these sectors within an economy.
- Candidates need to further develop analysis in data response questions such as **1(f)** to provide explanations of the trends and exceptions identified.
- Candidates need to check their diagrams to ensure the outcome relates to what would be expected, such as ensuring that the choice of curve shift as a result of imposing an indirect tax, leads to a price rise rather than a price fall.
- Candidates need to demonstrate a clearer understanding in questions such as **4(b)** of the distinction between changes in the quantity demanded of a product (caused by price changes) and changes in demand (caused by changes in the conditions of demand).
- When evaluating issues in the higher mark questions, candidates need to provide balanced responses that address both sides of the argument and include supporting analysis to justify their judgements. They should avoid making unsubstantiated statements or assertions.
- When answering the extended essay questions, candidates need to provide clear application to the context of the question. For example, candidates should focus on why a government might or might not wish to encourage Trade Union membership, rather than discussing the nature and role of trade unions in general. Similarly, responses should focus on the tertiary sector rather than output in general in **2(d)**, and on clothing firms rather than mergers in general in **4(d)**.

Comments on specific questions

Section A

Question 1

(a) Comprehensive response

- Most candidates calculated the percentage accurately, giving 40% or 40, which demonstrated a correct interpretation of the data and appropriate use of percentages.

Limited responses

- A few candidates gave \$40 bn, showing use of a monetary unit rather than percentage.
- Some candidates incorrectly switched the numerator/denominator between GDP and current account surplus.

(b) Comprehensive responses

- Many candidates identified two valid items, such as ship insurance, financial services, or tourism, selecting those most relevant to trade in services.
- Many responses demonstrated a clear understanding of examples of trade in services within the current account of the Balance of Payments.

Limited responses

- Some candidates listed more than two items without prioritising them, or included items that were not related to trade in services.
- Some candidates' responses identified items not linked to trade in services such as oil and electrical equipment.

(c) Comprehensive responses

- Most candidates identified the opportunity cost such as the products not being consumed/available in Kuwait.

Limited responses

- A few gave a definition of opportunity cost without clearly stating what is given up in Kuwait.
- Some candidates gave multiple unrelated responses such as selling the products in the country, importing the products and reducing the living standards in Kuwait.

(d) Comprehensive responses

- Many candidates identified two relevant reasons from the source material and explained how each could contribute to high living standards. Common responses referred to high incomes, good quality healthcare, good quality education and relatively low prices for a range of products.
- Many responses developed the explanation by linking each reason to an improvement in people's quality of life. For example, higher incomes were associated with greater purchasing power and a higher standard of living, while good healthcare was associated with better health and longer life expectancy.
- Some candidates made effective use of the source material by selecting appropriate evidence and applying economic knowledge rather than providing general definitions of living standards.

Limited responses

- Some candidates identified appropriate features from the source without explaining how they would improve living standards. Future candidates should develop each point by explaining the economic link to people's welfare.
- Some responses repeated information from the source without applying economic reasoning. Candidates should explain why factors such as education, healthcare or lower prices improve living standards.
- Some candidates discussed economic growth or employment in general terms without relating their answer to living standards in Kuwait.

(e) Comprehensive responses

- Many candidates drew a correctly labelled demand and supply diagram with the demand curve unchanged and the supply curve shifting to the left to reflect the increase in indirect tax.
- Many responses clearly showed a higher equilibrium price and a lower equilibrium quantity following the shift in supply.
- Some candidates clearly labelled the original and new equilibrium positions, making the effect of the tax easy to identify.

Limited responses

- Many candidates shifted the demand curve rather than the supply curve. Candidates should recognise that an indirect tax increases production costs and therefore affects supply.
- Some responses omitted labels for the axes, curves or equilibrium positions, making the diagram incomplete.
- Some candidates drew the correct shift without indicating the resulting changes in equilibrium price and equilibrium quantity.

(f) Comprehensive responses

- Many candidates were able to identify that the relationship was positive/direct and explained what they meant by this.
- Many candidates were able to provide evidence of that relationship with the majority using Eswatini to illustrate.
- Some candidates were able to identify an exception to the positive relationship.

Limited responses:

- Some candidates did not use suitable examples to support the relationship. A small number used Jordan and the Bahamas.
- Few candidates copied data from the table without offering any explanation of a relationship.
- Few candidates mentioned that youth unemployment is included in the unemployment rate.
- Few candidates offered a valid explanation of the exception.

(g) Comprehensive responses

- Most candidates successfully identified and developed valid benefits of moving from the public sector to the private sector, such as the possibility of earning higher wages, greater opportunities for training, performance related bonuses, fringe benefits, and better working conditions.
- Some candidates were also able to develop valid reasons for staying in the public sector, such as greater job security and the availability of pensions.

Limited responses

- Some candidates compared the objectives of the private and public sectors, and the types of goods each may prefer to produce, such as merit goods.
- Some candidates thought that job security would be better in the private sector without properly justifying this point.
- Some candidates simply reversed their reasoning by stating the opposite points when explaining why workers might choose to stay in the public sector, rather than developing distinct arguments.

(h) Comprehensive responses

- Many candidates applied at least three factors as to the benefits of a new port.
- Many candidates explained how unemployment would fall, how the economy would grow and how the balance of payments deficit may be reduced.
- Some candidates successfully argued why the new port may lead to environmental concerns and an opportunity cost for the government.

Limited responses

- Some candidates focused more on the benefits of the new port as opposed to discussing reasons why it may not benefit an economy.
- Some candidates simply reversed their reasoning and stated how the balance of payments deficit would increase and decrease.
- A few candidates simply listed the benefits without explanation.

Section B

Question 2

(a) Comprehensive responses

- Many candidates identified two valid disadvantages of working as a miner, such as health and safety risks, poor or difficult working conditions, or low pay.
- Many candidates related their answers directly to the working conditions experienced by miners.

Limited responses

- Some candidates identified only one valid disadvantage or repeated the same idea in different words.
- A few candidates referred to low job security, low life expectancy, or the possibility of workers losing their jobs if mines closed. These responses did not address disadvantages associated with working as a miner.
- Some candidates referred to the environmental impact of mining or the effects of mine closures rather than disadvantages experienced by miners.

(b) Comprehensive responses

- Some candidates explained two reasons why government measurement of unemployment may be inaccurate by referring to the limitations of both the claimant count and the Labour Force Survey (LFS).
- Some candidates explained that the claimant count may overestimate unemployment because some people claiming unemployment benefits may be working informally.
- Some candidates explained that the Labour Force Survey may be inaccurate due to sampling errors or bias, or respondents providing inaccurate information.

Limited responses

- Many candidates identified general issues related to unemployment rather than explaining the limitations of the methods used to measure unemployment.
- Some candidates referred to the size of the population, frictional or seasonal unemployment, or the existence of the illegal economy. These responses did not explain why the claimant count or the Labour Force Survey may produce inaccurate unemployment figures.
- A few candidates also stated that the Labour Force Survey was inaccurate simply because it does not include every member of the population.

(c) Comprehensive responses

- Most candidates identified at least two/three factors influencing the location decision of a multinational company (MNC), such as changes in costs of production, depletion of natural resources or changes in corporate tax and explained how these can reduce profit or incentives to produce.
- A few candidates recognised factors such as appreciation of the host country's exchange rate and political instability.

Limited responses

- Some candidates listed factors influencing the location decision of an MNC without explaining why these would lead to the closure of a mine in the host country.
- A few candidates confused the host and the home country.

(d) Comprehensive responses

- Some candidates produced a focused and well-balanced discussion of whether or not a larger tertiary sector would increase a country's economic development, considering both sides of the argument.
- Many candidates demonstrated a sound knowledge and understanding of the potential role of the tertiary sector in the economic development of a country, such as in relation to the incomes earned.
- Some candidates made reference to suitable examples within the tertiary sector, such as education and healthcare, and a few candidates developed this in relation to the likely impact on a country's Human Development Index.

Limited responses

- Some candidates provided largely one-sided responses, outlining some of the ways that a larger tertiary sector might increase a country's economic development without focusing on possible reasons why it might not necessarily do so, such as through the possible creation of external costs.
- A few candidates did not explain exactly what was meant by a tertiary sector and so produced answers that were largely confused.
- Some candidates made rather simplistic statements, such as suggesting that a larger tertiary sector would lead to an improvement in working conditions in all tertiary sector jobs, without understanding that working conditions in some parts of the tertiary sector might be rather poor.

Question 3

(a) Comprehensive responses

- Some candidates demonstrated a clear understanding of the term by providing a complete and precise definition of disinflation.

Limited responses:

- Some candidates stated the term 'disinflation' without providing the definition or explanation.
- Some candidates defined deflation instead of disinflation.
- Some candidates focused the response entirely on the concept of inflation.

(b) Comprehensive responses

- Many candidates correctly identified valid factors influencing household savings such as interest rates, safety, low confidence, or the need to save for future major purchases like houses or cars and provided clear supporting explanations for each.

Limited responses

- Some candidates listed relevant factors influencing savings without providing the necessary accompanying explanations.
- Some candidates suggested that inflation would encourage households to increase their savings in the bank without any justification.

(c) Comprehensive responses

- Most candidates developed links between the increased demand for exports, which increased total demand causing demand-pull inflation.
- Most candidates developed links from increasing cost of imports to increasing cost of raw materials and then to higher cost of production, leading to cost-push inflation.
- Some candidates recognised that increased prices of imports led to domestic demand increasing, leading to demand pull inflation.

Limited responses

- Some candidates confused a fall in a country's exchange rate with an appreciation of the currency.
- A few candidates did not differentiate between exports and imports, simply saying prices would increase and cost more money.
- Some candidates omitted the necessary demand-pull and cost-push terminology from their responses.

(d) Comprehensive responses

- Some candidates clearly demonstrated the harm created through a reduction in both consumption and investment expenditure, leading to a decrease in total demand, output and employment.
- A few candidates successfully developed evaluation explaining the benefits of reduced bank lending, as a decrease in total demand would reduce demand-pull inflation and the demand for imports.

Limited responses

- Some candidates made simple statements relating to reduced output or reduced inflation or less household debt. Such assertions were not supported by analysis.

- A few candidates made vague reference to an impact on the exchange rate without a clear line of development.

Question 4

(a) Comprehensive responses

- Most candidates correctly identified economic goods as having opportunity cost or as having factors of production/resources consumed in their production.
- Most candidates used appropriate terminology.

Limited responses

- Some candidates identified only one characteristic of economic good.
- Some candidates confused economic goods with public goods.

(b) Comprehensive responses

- Many candidates identified and explained valid reasons for an increase in demand for cakes, such as an increase in income which raises purchasing power leading to more consumption of cakes.
- Some reasons candidates identified and explained were changes in preference, a successful advertising campaign and an increase in the prices of substitutes.

Limited responses

- Many candidates focused on prices changes caused by cost or taxation.
- Some candidates identified just one reason and one clear development.
- Some candidates correctly identified the reasons and then repeated part of the question as explanation, such as demand for cakes will increase.

(c) Comprehensive responses

- Many responses accurately identified that an indirect tax would increase the costs for private schools, leading to higher fees and a subsequent reduction in demand.
- Most responses explained how the tax would generate revenue for the government, which could then be used to fund public services or reduce a budget deficit.
- Some responses recognised the shift in demand toward state education as a substitute, often linking this to a potential increase in employment within the public sector.
- Many responses explored the impact on the private sector further, noting that some schools might close or reduce their supply, leading to decreased employment in that area.

Limited responses

- Some candidates needed to focus more directly on the effects on demand, supply, and fees rather than providing a detailed discussion of price elasticity of demand or supply.
- Some responses confused the specific impact of taxing private school fees with the broader macroeconomic effects of taxation on the education sector in general.
- Some candidates provided general statements about unemployment and needed to apply these concepts specifically to the context of the private sector/education industry.
- A few candidates needed to develop their points further, as they stated that the government would gain revenue without explaining how those funds might be utilised.

(d) Comprehensive responses

- Most candidates were able to explain a merger, with a few candidates offering correct examples such as vertical and horizontal mergers.
- Most candidates explained the positive impacts of a merger such as the impact on the firms' average costs, linking clearly to the firm benefiting from economies of scale.
- A few candidates developed responses from the microeconomic impacts to the macroeconomic impacts. For example, linking lower average costs to lower prices leading to a competitive advantage and consequently the positive impact on exports.
- Many candidates developed the counterarguments such as the negative impacts of a monopoly firm developing.

Limited Responses:

- Many candidates showed knowledge of what a merger is without giving examples.

- Some candidates listed the benefits of a merger without developing the analysis. For example, 'They may benefit from economies of scale.' and 'They may be able to charge lower prices.'
- Some candidates listed counterarguments which were mirror responses.

Question 5

(a) Comprehensive responses

- Most candidates understood that the birth rate is connected to the number of people born in a year.
- Some candidates accurately defined birth rate by linking it with 'per 1000 of the population'.

Limited responses

- Some candidates confused birth rate with fertility rate.

(b) Comprehensive responses

- Most candidates correctly identified the benefit of an increase in (future) labour force, linking it with the increase in economic growth or output.
- Most candidates correctly identified the benefit of an increase in total demand due to an increase in consumption.
- Some candidates were able to link the increase in consumption to demand for baby products.
- Few candidates identified the benefit of optimum population.

Limited responses

- Some candidates saw the increase in population as an outright benefit.
- Some candidates listed benefits without providing an explanation or any development.

(c) Comprehensive responses

- Some candidates demonstrated understanding of price inelastic demand; for example, a change in price leads to a smaller percentage change in quantity demanded.
- Many candidates developed the determinants of price elasticity of demand in the context of making demand for products more price inelastic, for example, by making the product better quality so that consumers are less likely to switch to substitutes.

Limited responses

- Some candidates listed determinants of price elasticity of demand in the context of making demand for products more price inelastic, for example, by making essential or addictive products.
- Some candidates answered in the context of creating an increase in demand rather than making demand more inelastic.
- Some candidates repeated similar undeveloped points, for example, reducing price without linking to the purchase then becoming a smaller proportion of income.
- A few candidates focused on reasons why a firm might want price inelastic demand rather than on how a firm could make demand for its product more price inelastic.

(d) Comprehensive responses

- Many candidates produced a balanced, analytical argument considering both sides that dealt well with why trade union membership would be good for a government to support.
- Many candidates demonstrated good knowledge of the positive role of trade unions in providing improved working conditions/wages through collective bargaining and negotiation with firms/employers.

Limited responses

- Some candidates only considered one side of the argument with a narrow range of points identified.
- Some candidates showed limited knowledge of the role of trade unions with a focus mostly on strikes and the impact on a firm.
- Some candidates focused on the role or disadvantages of a trade union and did not address the context of the question which was about whether governments should prevent workers from joining trade unions.