

Caribbean Examinations Council



CSEC® Economics

**SYLLABUS
SPECIMEN PAPER
MARK SCHEME
SUBJECT REPORTS**

Macmillan Education
4 Crinan Street, London, N1 9XW
A division of Macmillan Publishers Limited
Companies and representatives throughout the world

www.macmillan-caribbean.com

ISBN 978-0-230-48248-7

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www.cxc.org
www.cxc-store.com

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First published 2014

This revised version published 2015

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Economics

The Economics syllabus introduces students to relevant economic concepts and principles that will provide the foundation necessary for a proper understanding of how economies work, especially the economies of small states like those in the Caribbean. It also gives students the critical knowledge and skills to communicate ideas using the language and tools of the discipline of Economics.

The Economics syllabus provides a useful foundation not only for further study in Economics but also for study in other Social Science subjects, including History, Politics, Business and International Relations. In summary, the syllabus seeks to equip students with the basic tools necessary for an understanding and interpretation of economic phenomena experienced by Caribbean people and for communicating, intelligently and effectively, on economic issues in the region and the wider international community.

The syllabus is arranged in seven sections, sub-divided into specific objectives and corresponding content.

- Section 1 The Nature of Economics
- Section 2 Production, Economic Resources and Resource Allocation
- Section 3 Markets and Prices
- Section 4 The Financial Sector
- Section 5 Economic Management: Policies and Goals
- Section 6 International Trade
- Section 7 Caribbean Economies in a Global Environment



CARIBBEAN EXAMINATIONS COUNCIL

**Caribbean Secondary Education Certificate
CSEC[®]**

**ECONOMICS
SYLLABUS**

Effective for examinations from May/June 2007

Including 2008 amendments

Published by the Caribbean Examinations Council

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ALL AMENDMENTS ARE INDICATED BY ITALICS

First Issued 2005
Revised 2013

Please check website, www.cxc.org for updates on CXC's syllabuses



Economics Syllabus

◆ RATIONALE

Economics is concerned with the study of how scarce resources are allocated, given the unlimited wants of a society. The study of economics will enable students to make a better assessment of, and an improved contribution to, discussions on political, economic and social issues.

The CSEC Economics syllabus introduces students to relevant economic concepts and principles that will provide the foundation necessary for a proper understanding of how economies work, especially the economies of small states like those in the Caribbean. It also gives students the critical knowledge and skills to communicate ideas using the language and tools of the discipline of Economics, *as well as* provides a useful foundation not only for further study in Economics but also for study in other Social Science subjects, including History, Politics, Business and International Relations.

This syllabus will contribute to the development of the Ideal Caribbean Person as articulated by the CARICOM Heads of Government, in areas including but not limited to the following:

- *is aware of the importance of living in harmony with the environment: has a strong appreciation of ... community cohesion, and moral issues including responsibility for and accountability to self and community;*
- *demonstrates multiple literacies, independent and critical thinking, questions the beliefs and practices of past and present and brings this to bear on the innovative application of science and technology to problem solving;*
- *demonstrates a positive work attitude;*
- *values and displays the creative imagination in its various manifestations and nurtures its development in the economic and entrepreneurial spheres in all other areas of life.*

Also, in keeping with the UNESCO Pillars of learning, on completion of this course of study, students will learn to know, learn to do, learn to be, and learn to live together having been exposed to the values implicit within human rights, and democratic principles.

In summary, the syllabus seeks to equip students with the basic tools necessary for an understanding and interpretation of economic phenomena experienced by Caribbean people and for communicating, intelligently and effectively, on economic issues in the region and the wider international community.

◆ AIMS

The syllabus aims to:

1. develop an understanding of the essential concepts and principles of Economics;
2. equip students with the tools needed for economic analysis, thus enabling sound, informed decisions as consumers of goods and services;

3. provide students with the foundation that will enhance their study in other disciplines that include concepts and principles of Economics and make use of the analytic approaches of Economics;
4. develop an awareness and appreciation of economic issues peculiar to the region.

◆ GENERAL OBJECTIVES

On completion of this syllabus, students should:

1. understand basic concepts and principles used in economic analysis;
2. develop the skills to assess economic issues that would affect their lives as workers, consumers and citizens;
3. develop the competence to contribute to discussions on current economic issues and decisions that should be made to shape and strengthen local, national and regional institutions;
4. develop the ability to analyse, critically, economic decisions made by policy makers;
5. demonstrate an awareness of the fact that economists hold differing views on some economic issues.

◆ ORGANIZATION OF THE SYLLABUS

The syllabus is arranged in SEVEN sections, sub-divided into specific objectives and corresponding content.

SECTION 1	-	THE NATURE OF ECONOMICS
SECTION 2	-	PRODUCTION, ECONOMIC RESOURCES AND RESOURCE ALLOCATION
SECTION 3	-	MARKETS AND PRICES
SECTION 4	-	THE FINANCIAL SECTOR
SECTION 5	-	ECONOMIC MANAGEMENT: POLICIES AND GOALS
SECTION 6	-	INTERNATIONAL TRADE
SECTION 7	-	CARIBBEAN ECONOMIES IN A GLOBAL ENVIRONMENT

◆ SUGGESTED TIME-TABLE ALLOCATION

It is recommended that a minimum of five 40-minute periods per week, or the equivalent, be allocated to the syllabus. This time should include at least one double-period.

◆ CERTIFICATION AND DEFINITION OF PROFILE DIMENSIONS

The CSEC Economics syllabus will be examined at the General Proficiency only. Candidates will be awarded an overall grade reported on a six-point scale. In addition to the overall grade, candidates' performance will be reported by a letter grade under profile dimensions of Knowledge and Comprehension, Interpretation and Analysis, and Application. These profile dimensions are provided below.

Knowledge and Comprehension

The ability to:

- (a) state, list or identify economic concepts, terms and principles;
- (b) define and explain economic concepts, principles, theories and procedures;
- (c) demonstrate an understanding of basic economic concepts, conventions and principles.

Interpretation and Analysis

The ability to:

- (a) select, organise and interpret economic data presented in a variety of forms;
- (b) organise and present, logically and effectively, economic ideas and arguments using verbal, graphical and numerical forms of communication.

Application

The ability to:

- (a) apply economic concepts and principles to analyse economic issues;
- (b) apply economic concepts, principles and theories to solve economic problems in various situations.

◆ FORMAT OF THE EXAMINATIONS

Paper 01
(1 hour 15 minutes) This paper will consist of 60 multiple-choice items. The paper will sample, proportionately, all sections of the syllabus.

Paper 02
(2 hours) This paper will be divided into two parts. Questions in each part will test all three profile dimensions. Part I will consist of four (4) compulsory structured questions. Part II will consist of four (4) essay questions of which candidates will be required to answer two (2) questions.

School-Based Assessment (SBA)

Paper 03/1 This component will focus on the assessment of the Interpretation and Analysis and Application profile dimensions by means of a project or special assignment drawn from relevant objectives in the syllabus. (See pages 26 - 30).

Paper 03/2 This paper is an alternative to the SBA for private candidates (see details on pages 31 - 32).

This paper will focus on the assessment of the Interpretation and Analysis, and Application profile dimensions by means of a written examination with questions based on a case study. The examination will consist of five structured questions requiring responses which may vary in length and detail from one or two sentences to one or more paragraphs. This paper will be weighted in the same way as the Paper 03/1 for school candidates.

MARK ALLOCATION OF PROFILES

The weighting of the profile dimensions is shown below.

PROFILES	PAPERS			TOTAL	(%)
	Paper 01	Paper 02	Paper 03 (SBA)		
Knowledge and Comprehension (P1)	16	34	10	60	(30)
Interpretation and Analysis (P2)	30	40	20	90	(45)
Application (P3)	14	26	10	50	(25)
Total	60	100	40	200	100
(%)	30	50	20	100	(100)

◆ NOTE TO TEACHERS AND STUDENTS

The syllabus provides students with a grounding in economic theories and concepts. The major focus of the syllabus, however, is on the application of these theories and concepts to an understanding of economic issues and problems prevalent in countries of the Caribbean region. Although Section 7: *Caribbean Economies in a Global Environment* is devoted entirely to the Caribbean, teachers should use opportunities throughout the syllabus to apply theories and concepts to the Caribbean situation.

◆ SUGGESTED TEACHING AND LEARNING ACTIVITIES

Teachers are encouraged to engage students in activities such as those listed below as they seek to achieve the objectives of the syllabus.

1. Lectures by resource persons with expertise on aspects of the syllabus;
2. Discussions on surveys of living conditions reports and UNDP reports on Caribbean territories;
3. Group discussions and debates on provisions of national budgets.

◆ SECTION 1: THE NATURE OF ECONOMICS

SPECIFIC OBJECTIVES

Students should be able to:

1. define the term “economics”;
2. explain what is meant by an economy;
3. list the main sectors in an economy;
4. explain the concepts of scarcity and choice within an economy;
5. define “opportunity cost” and “money cost”;
6. illustrate opportunity cost and efficiency, using the production possibility frontier;
7. list the main influences on individuals in making economic decisions;
8. list the main influences on firms in making economic decisions.

CONTENT

1. Economics as a Social Science:
 - (a) the creation of wealth out of scarce resources;
 - (b) the production and distribution of goods and services;
 - (c) the behaviour, interactions and welfare of those involved in the process;
 - (d) economics as a trade off.
2. An economy as a mechanism:
 - (a) organization of resources for production of goods and services;
 - (b) satisfaction of society’s needs and wants.
3. Main sectors in an economy.
4. Concepts of scarcity and choice.
5. Opportunity cost and money cost.

THE NATURE OF ECONOMICS (cont'd)

6. Illustration of Production Possibility Curve.
7. Influences on consumers in making economic decisions.
8. Influences on producers in making economic decisions.

◆ SECTION 2: PRODUCTION, ECONOMIC RESOURCES AND RESOURCE ALLOCATION

SPECIFIC OBJECTIVES

Students should be able to:

1. define “production”;
2. distinguish between production and productivity;
3. define the term “factors of production”;
4. identify the economic resources referred to as “factors of production”;
5. state the rewards of the factors of production;
6. describe the factors of production;
7. identify the costs associated with production;
8. differentiate between short run and long run;
9. distinguish between goods and services;
10. explain the concept of resource allocation;
11. list the types of economic systems;
12. describe the characteristics of each economic system;
13. assess the merits and demerits of each economic system;
14. identify the main types of business organizations in a free market;
15. describe the features of each type of business organization;
16. explain the concept of economies of scale;
17. give examples of economies of scale;
18. explain the concept of diseconomies of scale;
19. outline the advantages and disadvantages of division of labour.

PRODUCTION, ECONOMIC RESOURCES AND RESOURCE ALLOCATION (cont'd)

CONTENT

1. Definition of production.
2. Differences between production and productivity.
3. Factors of production: resources, both human and non-human, required to produce goods.
4. Types of economic resources as factors of production:
 - (a) land;
 - (b) labour;
 - (c) capital;
 - (d) entrepreneurial talent.
5. Rewards of factors of production:
 - (a) rent;
 - (b) wages and salaries;
 - (c) interest;
 - (d) profit.
6. Description of the factors of production:
 - (a) Land
 - (i) definition;
 - (ii) characteristics;
 - (iii) types;
 - (iv) importance;
 - (v) productivity.

PRODUCTION, ECONOMIC RESOURCES AND RESOURCE ALLOCATION (cont'd)

- (b) Labour
 - (i) definition;
 - (ii) characteristics;
 - (iii) functions;
 - (iv) division of labour;
 - (v) specialization of labour;
 - (vi) productivity;
 - (vii) efficiency;
 - (viii) supply.
 - (c) Capital
 - (i) definition;
 - (ii) characteristics;
 - (iii) types;
 - (iv) accumulation;
 - (v) importance as a substitute for labour.
 - (d) Entrepreneurial Talent: public and private enterprises
 - (i) definition;
 - (ii) importance;
 - (iii) functions.
7. Fixed, variable, total, average and marginal costs.
 8. Differences between short run and long run.
 9. Goods (tangible) and services (intangible).

PRODUCTION, ECONOMIC RESOURCES AND RESOURCE ALLOCATION (cont'd)

10. Resource allocation: what to produce; how much to produce and for whom to produce.
11. Types of economic systems:
 - (a) traditional (subsistence farming, bartering);
 - (b) command or planned (socialist);
 - (c) free or capitalist (market);
 - (d) mixed (public and private).
12. Characteristics of each economic system in relation to **ownership** of the factors of production, role of government and role of the private sector; how each economic system allocates resources.
13. Merits and demerits of each economic system in terms of its efficiency in allocating scarce resources and in providing goods and services to each sector of the population.
14. Types of business organizations in a free market.
15. Features of each type of business organization.
16. Concept of economies of scale.
17. Technical, Marketing, Financial and Risk-bearing economies.
18. Concept of diseconomies of scale.
19. Advantages and disadvantages of division of labour.

◆ SECTION 3: MARKETS AND PRICES

SPECIFIC OBJECTIVES

Students should be able to:

1. explain the term “market”;
2. identify the market forces;
3. describe the relationship between price and demand, and price and supply;
4. explain the concept of ceteris paribus;
5. illustrate the concepts of demand and supply by using demand and supply curves;
6. explain the determinants of demand and supply;
7. illustrate how changes to the determinants affect demand and supply curves;
8. explain the concept of market equilibrium;
9. illustrate market equilibrium diagrammatically;
10. explain changes in the market equilibrium;
11. illustrate changes in the market equilibrium;
12. explain the concept of price elasticity of demand;
13. outline factors affecting price elasticity of demand;
14. illustrate price elasticity of demand, using simple calculations;
15. illustrate other types of elasticities of demand, using simple calculations;
16. explain price elasticity of supply;
17. illustrate price elasticity of supply, using simple calculations;
18. define the term ‘market structure’;
19. outline the characteristics of market structures;
20. identify the main types of market structures;

MARKETS AND PRICES (cont'd)

21. define the term “market failure”;
22. outline the main causes of market failure;
23. state the main consequences of market failure.

CONTENT

1. Concept of a market.
2. Definitions of supply and demand.
3. The relationship between price and quantity demanded, and price and quantity supplied (the four laws of demand and supply).
4. The concept of *ceteris paribus*.
5. Diagrammatic representation of demand curve and supply curve.
6. Demand and supply conditions: factors determining the environment for price movements.
7. Diagrammatic representations and analyses of how changes to the determinants affect demand and supply curves.
8. Market equilibrium: agreement between consumer and supplier on the price and quantity of goods demanded and offered.
9. Diagrammatic representation of market equilibrium.
10. The impact of changes in market conditions on market equilibrium.
11. Illustration of the market equilibrium.
12. Price elasticity of demand:
 - (a) concept of price elasticity of demand and its determinants;
 - (b) concept of income and cross elasticity of demand.
13. Factors affecting price elasticity of demand.
14. Illustration, by graphs and tables, of changes in conditions of demand and supply.

MARKETS AND PRICES (cont'd)

15. Illustration, by graphs, of elastic and inelastic demand.
16. Price elasticity of supply: what happens to quantity supplied following a change in price.
17. Illustration, by graphs and tables, of elastic and inelastic supply.
18. Definition of market structure.
19. Market structure: behavior and performance of firms in a variety of situations:
 - (a) number of buyers and sellers;
 - (b) types of goods;
 - (c) freedom of entry and exit;
 - (d) control on price.
20. Main types of market structures:
 - (a) perfect competition;
 - (b) monopoly;
 - (c) oligopoly;
 - (d) monopolistic competition.
21. Definition of market failure.
22. Causes of market failure:
 - (a) monopoly;
 - (b) merit goods and public goods;
 - (c) negative or positive externalities.
23. Consequences of market failure:
 - (a) retrenchment;
 - (b) unemployment;
 - (c) economic depression;
 - (d) rise in levels of poverty;
 - (e) decline in provisions for societal welfare.

◆ SECTION 4: THE FINANCIAL SECTOR

SPECIFIC OBJECTIVES

Students should be able to:

1. explain the concept of the Financial Sector;
2. state the role of the Financial Sector;
3. identify the functions of the Financial Sector;
4. explain the concept of the Informal Sector;
5. explain the concept of money;
6. describe the development of money;
7. explain the functions of money;
8. describe the qualities of money;
9. explain the phrase “money supply”;
10. describe the role of the Central Bank and other financial institutions;
11. distinguish between the types of financial instruments.

CONTENT

1. The Financial Sector: The complex mix or network of markets, households, businesses, governments, laws and institutions interacting with one another.
2. The role of the Financial Sector in mobilizing and making loanable funds available from savers to spenders for consumption and investment purposes.
3. Functions of the financial sector.
4. Economic activities that are not officially regulated and which take place outside the formal norms of business transactions.
5. Money as any item considered acceptable to be used as payment for goods and services.
6. From bartering to modern forms of payments.

THE FINANCIAL SECTOR (cont'd)

7. Four main functions of money.
8. Four main qualities of money.
9. Money supply: the total stock of money in the economy at any moment.
10. Roles of the Central Bank and the following financial institutions:
 - (a) Commercial Bank;
 - (b) Stock Exchange;
 - (c) Share Market;
 - (d) Credit Union;
 - (e) Development Bank;
 - (f) Insurance Company;
 - (g) Mutual Fund;
 - (h) Building Society;
 - (i) Investment Trust Company;
 - (j) Informal credit institutions (Sou Sou, Box, Partner, Sindicatos, Meeting Turns).
11. Financial instruments:
 - (a) treasury notes and bonds;
 - (b) corporate bonds;
 - (c) municipal bonds;
 - (d) equity securities.

◆ SECTION 5: ECONOMIC MANAGEMENT: POLICIES AND GOALS

SPECIFIC OBJECTIVES

Students should be able to:

1. explain the role of government in stabilizing the economy;
2. explain the meaning of terms and concepts associated with economic policies and goals;
3. explain the concept of the circular flow of income;
4. illustrate the circular flow of income;
5. distinguish between Gross Domestic Product (GDP) and Gross National Product (GNP);
6. distinguish among nominal output, real output and potential output;
7. distinguish between economic growth and economic development;
8. distinguish between inflation and recession;
9. state the main causes and consequences of inflation and recession on an economy;
10. state ways used by governments to reduce inflation;
11. state ways used by governments to relieve recession;
12. explain the different types of unemployment;
13. outline the role of trade unions in an economy.

CONTENT

1. Role of government, for example, in taxation and expenditure, and transfer policies.
2. Definition of the following terms and concepts:
 - (a) national budget;
 - (b) national income;
 - (c) disposable income;
 - (d) national debt;

ECONOMIC MANAGEMENT: POLICIES AND GOALS (cont'd)

- (e) fiscal policy;
 - (f) fiscal deficit;
 - (g) monetary policy;
 - (h) economic growth;
 - (i) economic development;
 - (j) developing economy;
 - (k) developed economy;
 - (l) balance of payments;
 - (m) GDP;
 - (n) GNP;
 - (o) employment;
 - (p) unemployment;
 - (q) inflation;
 - (r) deflation;
 - (s) savings;
 - (t) investment.
-
3. Flows of goods and services and factors of production between firms and households.
 4. Illustration of a basic flow diagram consisting of households, firms, government and financial institutions.
 5. GDP: a measure of national output; GNP: a measure of the increase or decrease in the standard of living; Calculation of GDP and GNP.
 6. Nominal output, real output and potential output.
 7. Economic growth and economic development.

ECONOMIC MANAGEMENT: POLICIES AND GOALS (cont'd)

8. Inflation and recession.
9. The major causes and consequences of inflation and recession.
10. Government's role in reducing inflation.
11. Government's role in relieving recession.
12. Types of unemployment:
 - (a) structural;
 - (b) cyclical;
 - (c) frictional;
 - (d) seasonal;
 - (e) real-wage.
13. Causes and measures to reduce each type of unemployment.
14. The role of Trade Unions in a free market economy.

◆ SECTION 6: INTERNATIONAL TRADE

SPECIFIC OBJECTIVES

Students should be able to:

1. explain the meaning of terms and concepts associated with international trade;
2. explain the rationale for international trade;
3. describe the primary factors that influence the level of international trade;
4. explain the concept of gains from trade;
5. explain the concept of terms of trade;
6. state the factors that influence the level of an exchange rate;
7. distinguish between the various types of exchange rate regimes;
8. distinguish between exchange rate appreciation and exchange rate depreciation;
9. distinguish between exchange rate devaluation and exchange rate revaluation;
10. distinguish between balance of payments and balance of trade;
11. list the constituent components of the balance of payments;
12. describe the entries that would appear in the balance of payments account;
13. distinguish between balance of payments surpluses and balance of payments deficits;
14. describe the factors that give rise to balance of payments surpluses and deficits;
15. state the possible consequences of balance of payments surpluses and deficits;
16. describe the possible remedies for balance of payments surpluses and deficits.

SECTION 6: INTERNATIONAL TRADE (cont'd)

CONTENT

1. Definition of the following terms and concepts:
 - (a) balance of trade;
 - (b) current account;
 - (c) capital account;
 - (d) balance of payments;
 - (e) balance of payments disequilibria;
 - (f) tariff;
 - (g) Common External Tariff (CET);
 - (h) quota (non-tariff barriers);
 - (i) exchange rate;
 - (j) exchange rate regimes;
 - (k) World Trade Organisation (WTO).
2. The concept of comparative advantage and gains from trade. International trade as a “win-win” situation.
3. Factors that influence International Trade:
 - (a) on the import side;
 - (b) on the export side.
4. Terms of trade.
5. Factors that influence the level of an exchange rate.
6. Fixed, Floating and Managed exchange rate regimes.
7. Appreciation and depreciation of a currency.

INTERNATIONAL TRADE (cont'd)

8. Downward and upward adjustments to the value of a currency.
9. Balance of payments as a balance sheet indicating all the international transactions with the rest of the world.
10. Balance of Trade as the difference between the values of exports and imports of visible and invisible.
11. Current Account, Capital Account and the Official Financing Account.
12. Entries that would appear in the balance of payments account.
13. Surplus as excess of receipts over payments; deficit as excess of expenditure over receipts.
14. Factors that give rise to surpluses.
15. Factors that give rise to a deficit.
16. Possible consequences of balance of payments surpluses and deficits.
17. Possible remedies for balance of payments surpluses and deficits.

◆ SECTION 7: CARIBBEAN ECONOMIES IN A GLOBAL ENVIRONMENT

SPECIFIC OBJECTIVES

Students should be able to:

1. list the main characteristics of Caribbean economies;
2. state the major economic problems associated with Caribbean economies;
3. explain the meaning of terms and concepts associated with Caribbean economies;
4. explain the concept of preferential tariff arrangements;
5. identify the benefits and costs derived from CARICOM's participation in preferential trade arrangements;
6. explain the concept of trade liberalization;
7. explain the concept of globalization;
8. state the major economic features of globalization;
9. list the benefits to be derived from large scale production of goods;
10. list the benefits to be derived from the Caribbean Single Market and Economy (CSME);
11. state the effects of globalization and trade liberalization on territories, firms, consumers and governments in the Caribbean;
12. identify development strategies that Caribbean governments may use in a globalised economic environment;
13. explain the concept of e-commerce;
14. list the benefits of e-commerce;
15. outline the challenges of e-commerce.

CARIBBEAN ECONOMIES IN A GLOBAL ENVIRONMENT (cont)

CONTENT

1. Main characteristics of Caribbean economies: market size, resources, nature of dependency.
2. Economic problems associated with Caribbean economies.
3. Definition of the following terms and concepts:
 - (a) debt burden;
 - (b) structural adjustment;
 - (c) economic integration;
 - (d) protectionism;
 - (e) laissez-faire;
 - (f) common market;
 - (g) economic union;
 - (h) customs union;
 - (i) globalization;
 - (j) trade liberalization;
 - (k) bi-lateral agreement;
 - (l) multi-lateral agreement;
 - (m) International Monetary Fund (IMF);
 - (n) Caribbean Community (CARICOM);
 - (o) African, Caribbean and Pacific (ACP);
 - (p) Free Trade Area of America (FTAA);
 - (q) Association of Caribbean States (ACS);
 - (r) Caribbean and Canadian Association (CARIBCAN)

CARIBBEAN ECONOMIES IN A GLOBAL ENVIRONMENT (cont)

- (s) Caribbean Single Market and Economy (CSME);
 - (t) World Bank;
 - (u) Organisation of Eastern Caribbean States (OECS);
 - (v) European Union (EU);
 - (w) Caribbean Basin Initiative (CBI);
 - (x) Caribbean Development Bank (CDB);
 - (y) Foreign Direct Investment (FDI).
4. Definition and explanation of preferential tariffs including those offered by the European Union (EU).
 5. Benefits and costs of preferential tariff arrangements in light of discussions within the World Trade Organisation (WTO).
 6. Trade liberalization in the context of the termination of all preferential tariff arrangements worldwide.
 7. Globalization in the context of open competition on a world scale.
 8. The free movement of goods, capital, labour and technology.
 9. Social and economic benefits of producing goods in large quantities.
 10. Possible social and economic benefits to be derived from the free movement of capital, goods and labour within CARICOM.
 11. Effects of globalization and trade liberalization on firms, consumers and the sovereignty of territories.
 12. Concept and challenges of e-commerce.
 13. Definition of e-commerce or e-business.
 14. Benefits of e-commerce or e-business.
 15. Challenges of e-commerce or e-business.

◆ GUIDELINES TO TEACHERS FOR THE CONDUCT OF SCHOOL-BASED ASSESSMENT

School-Based Assessment is an integral part of student assessment in the course covered by this syllabus. It is intended to assist students in acquiring certain knowledge, skills and attitudes that are critical to the subject. The activities for the School-Based Assessment are linked to the topics and should form part of the learning activities to enable the student to achieve the objectives of the syllabus.

During the course of study of the subject, students obtain marks for the competences they develop and demonstrate in undertaking their School-Based Assessment assignment. These marks contribute to the final marks and grades that are awarded to students for their performance in the examination.

The guidelines provided in this syllabus for selecting appropriate tasks are intended to assist teachers and students in selecting assignments that are valid for the purpose of School-Based Assessment. These guidelines are also intended to assist teachers in awarding marks according to the degree of achievement in the School-Based Assessment component of the course. In order to ensure that the scores awarded by teachers are not out of line with the CXC standards, the Council undertakes the moderation of a sample of School-Based Assessment assignments marked by each teacher.

School-Based Assessment provides an opportunity to individualise a part of the curriculum to meet the needs of students. It facilitates feedback to the students at various stages of the experience. This helps to build the self-confidence of the students as they proceed with their studies. School-Based Assessment further facilitates the development of essential research skills that allow the student to function more effectively in his or her chosen vocation. School-Based Assessment, therefore, makes a significant and unique contribution to the development of relevant skills of the students. It also provides an instrument for testing them and rewarding them for their achievements.

RATIONALE FOR SCHOOL-BASED ASSESSMENT IN ECONOMICS

The School-Based Assessment component of the Economics Syllabus is a single guided research project **for school candidates**. The project should be on any topic drawn from relevant objectives of the syllabus and is intended to develop in the candidate an interest in self-directed investigation including the collection of data in a scientific manner. The execution of the SBA project should lead to a sense of accomplishment while facilitating the development of the basic skills of economic research. Teachers should regard School-Based Assessment as an integral part of teaching the syllabus.

The School-Based Assessment should:

- i. provide the candidate with an opportunity to investigate an area of special interest within the prescribed syllabus;
- ii. develop the candidate's ability to conduct an enquiry and present the findings;
- iii. provide an opportunity for the teacher to be involved in the evaluation process.

SBA REQUIREMENTS

Every candidate who enters for the CSEC Economics examination must submit a report on a project. Students may work individually or in groups to investigate a specific problem. However, each candidate must produce a complete report. No two reports from the same group should be identical. The report should *not exceed 1,000* words and should include appropriate charts, graphs, tables and pictures.

The teacher must approve the problem to be investigated, guide the student during the process of investigation, mark the completed work according to the guidelines provided by CXC, and submit the marks for the project to reach CXC **by April 30** in the year of the examination. *Submission should be made via the SBA Data Capture Module of the Online Registration System (ORS) found on the Council's website www.cxc.org*

The project should be based on research activities and should make use of **qualitative or quantitative data** or both to research economic issues and problems. *Students doing more than one subject in the Business cognate group may submit one SBA under a theme which covers this group.*

PROJECT REPORTS

A student's report should be *submitted electronically or* presented in a soft folder bearing the student's number, name of subject and the date submitted. The project document should comprise:

- (i) title;
- (ii) table of contents;
- (iii) aims and objectives;
- (iv) methodology employed;
- (v) report (not exceeding 1000 words).

Students and teachers must ensure that the report contains the required components and addresses all the profile dimensions identified on Page 3 of the syllabus.

Students are expected to present the report using qualitative or quantitative data or both, including graphs, charts and tables. Students will be awarded marks for clarity of expression and the correct use of grammar.

Students should:

- (i) state the purpose of the investigation;
- (ii) select an appropriate method of investigation;
- (iii) describe the procedures used to collect the data;
- (iv) present data in qualitative or quantitative formats or both;
- (v) explain the data presented;

- (vi) interpret data in terms of the purpose of the investigation;
- (vii) state findings;
- (viii) make recommendations based on findings and suggest measures for their implementation.

SOURCES OF DATA AND INFORMATION

The sources of data listed below can be used by candidates in their research activities.

- (i) The business section of local newspapers.
- (ii) Statistical reports such as national income statistics, balance of payments statistics, survey of living conditions, household budgetary surveys, annual economic reports of Central Banks, Ministries of Finance and Planning Units, questionnaires and interviews.
- (iii) Annual reports of firms in the region.
- (iv) The economic information available on the Internet.
- (v) Budget speeches of Ministers of Finance.
- (vi) Reviews of estimates of income and expenditure from Ministries of Finance.

MANAGEMENT OF THE PROJECT

The teacher must:

- (i) inform students of appropriate topics in the syllabus that are suitable for research;
- (ii) approve students' research proposals;
- (iii) advise students about the final date for completion and submission of the project;
- (iv) ensure that themes relevant to the project are adequately covered;
- (v) advise students of the nature of the task, the scope and depth required to fulfill it and the availability of resource materials;
- (vi) monitor students' progress by advising them of the quality of their work and recommending ways to improve the quality of the project;
- (vii) collect and mark students' projects;

- (viii) keep records of students' marks and submit these, together with samples of their work, as requested by CXC; *via the SBA Data Capture Module of the Online Registration System (ORS) found on the Council's website www.cxc.org*
- (ix) ensure that the guidelines are closely followed and the criteria are adequately met.
- NB.** It is the responsibility of the teachers to ensure that the project is the students' work as plagiarism and other forms of cheating will be penalised.

MARK SCHEME FOR RESEARCH PROJECTS

The project should be marked out of 40, weighted as follows:

Knowledge/Comprehension	-	10 marks
Interpretation/Analysis	-	20 marks
Application	-	10 marks

N.B. The following tasks are to be done under the supervision of the teacher.

CRITERIA	P1 (Knowledge/ Comprehension)	P2 (Interpretation/ Analysis)	P3 (Application)
1. State the Title of the Project (2 marks) - Title of project clearly stated - Title of project not clearly stated	2 marks 1 mark		
2. State the Purpose of the Project (3 marks) - Purpose of project fully stated - Satisfactory statement of aim - Limited statement of aim	3 marks 2 marks 1-0 mark		
3. Collection and Presentation of Data (3+ 7 = 10 marks) (a) - Collection from three to five sources - Collection from two sources - Collection from one source (b) - Excellent presentation of relevant data - Good presentation of relevant data - Satisfactory presentation of relevant data - Weak presentation of relevant data			3 marks 2 marks 1 mark 6-7 marks 4-5 marks 2-3 marks 1-0 mark

CRITERIA	P1 (Knowledge/ Comprehension)	P2 (Interpretation/ Analysis)	P3 (Application)
<p>4. Interpretation and Analysis (10 marks)</p> <ul style="list-style-type: none"> - Excellent analysis of data - Satisfactory analysis of data - Weak analysis of data 		<p>8-10 marks 5-7 marks 4-1 marks</p>	
<p>5. Findings and Recommendations (6 + 4 = 10 marks)</p> <p>(a)</p> <ul style="list-style-type: none"> - Findings are fully supported by the data - Findings are partially supported by the data - Findings are minimally supported by the data <p>(b)</p> <ul style="list-style-type: none"> - Excellent recommendations arising from data - Satisfactory recommendations arising from data - Weak recommendations arising from data 		<p>6 marks 5 -3 marks 2-1 marks 4 marks 3-2 marks 1-0 mark</p>	
<p>6. Communication of Information in a Logical way using Correct Grammar (5 marks)</p> <ul style="list-style-type: none"> - Excellent language and reporting skills - Satisfactory language and reporting skills - Weak language and reporting skills 	<p>4-5 marks 2-3 marks 1-0 mark</p>		
TOTAL	10 marks	20 marks	10 marks

◆ GUIDELINES FOR THE ALTERNATIVE TO SCHOOL-BASED ASSESSMENT

The Alternative to the School-Based Assessment in CSEC Economics (Paper 03/2), takes the form of a written examination in lieu of internal assessment for school candidates. This paper will be drawn from any area of the syllabus that lends itself to the Knowledge and Comprehension, Interpretation and Analysis, and Application of qualitative and/or quantitative or economic data. Paper 03/2 will be weighted in the same way as the Paper 03/1 (SBA) for school candidates, as shown in the table below.

Knowledge/Comprehension Profile 1	Interpretation/Analysis Profile 2	Application Profile 3	Total	% of Total Exam
10	20	10	40	20

Paper 03/2 consists of five structured questions requiring written responses which may vary in length and detail from one to two sentences to one or more paragraphs. Questions will be based on research activities and will test the candidates' ability to interpret qualitative and/or quantitative economic issues and problems presented in the form of case studies. Candidates are advised to familiarise themselves with the research activities listed below, in order to prepare adequately for Paper 03/2. Please note that candidates taking Paper 03/2 are NOT required to submit a project.

Questions will normally test candidates' ability to:

- i. select an economic problem or issue;
- ii. prescribe appropriate data to investigate the problem or issue;
- iii. present data in qualitative and/or quantitative formats;
- iv. explain data presented in task (iii);
- v. interpret data as they relate to the problem or issue in task (i);
- vi. state findings;
- vii. make recommendations based on findings and measures to implement them.

In order to enhance their performance on Paper 03/2, candidates may also wish to:

- i. select an economic problem to investigate and state it clearly;
- ii. choose appropriate sources of data to investigate the problem or issue; these may include the business section of local newspapers, statistical reports such as national income statistics, balance of payments statistics, survey of living conditions, household budgetary surveys, annual economic reports of Central Banks, Ministries of Finance and Planning Units, annual reports of firms in the region, the economic information available on the internet, budget speeches of Ministers of Finance or reviews of estimates of income and expenditure from Ministries of Finance;

- iii. use graphs, charts, tables, maps, diagrams as well as prose to present data;
- iv. explain the data in task (iii) and state how the data addresses the problem identified in task (i);
- v. write at least three statements on what was found from the investigation of the problem;
- vi. suggest two or more recommendations based on findings and state how they could be implemented.

◆ REGULATIONS FOR PRIVATE CANDIDATES

Private candidates must be entered for the examination through the Local Registrar in their respective territories and will be required to sit Papers 01, 02, and Paper 03/2.

Paper 03/1 is a single guided research project for candidates whose research must be monitored by tutors in a recognised educational institution. The reports must be original work and must be validated by the principal and the candidates' tutors.

Paper 03/2 is a written examination designed for candidates whose research projects cannot be monitored by tutors in a recognised educational institution and who have been assigned by the Local Registrar to write Paper 03/2 at a designated examination centre.

◆ REGULATIONS FOR RESIT CANDIDATES

Resit candidates who have obtained 50% or more of the total SBA marks will not be required to repeat this component of the examination provided that they write the examination in the academic year immediately following their first sitting of the examination. Resit candidates who failed to achieve 50% of the total SBA marks must repeat the project during the academic year in which the examination is repeated. Resit candidates must indicate at registration that they are resit candidates.

◆ REGULATIONS FOR THE JANUARY SITTING

- i. All candidates for the January sitting who are taking CSEC Economics examination for the first time MUST write Paper 03/2.
- ii. There is no SBA option (Paper 03/1) available for January candidates.

- iii. Resit candidates fall into two categories:
 - a. those resit candidates who wrote Paper 03/1 (SBA) in the year immediately preceding the January examination. Those who obtained 50% or more are NOT required to write Paper 03/2 in January;
 - b. those resit candidates who wrote Paper 03/2 (Alternative to SBA) in the year immediately preceding the examination. Those who obtained 50% or more are NOT required to re-write Paper 03/2 in January.
- iv. A candidate who qualified under iii(a) and iii(b) above who obtained 50% or more, but who wish to try to improve on his/her grade may write Paper 03/2 in January.
- v. All resit candidates who did NOT satisfy the 50% requirement (either on 03/1 or 03/2) are required to write Paper 03/2 in January.

◆ GLOSSARY OF TERMS

TERMS	CONCEPT
Barter	The exchange of one type of good or service for another, without the use of money.
Demand	The amount of a good or service consumers wish to have and the price they are able to pay for this amount during a specific time.
Demand Curve	A graph relating demand for a good or service to its price. The price of the good is usually shown on the vertical axis and the quantity demanded at each level of its own price on the horizontal axis.
Demand Deposit	Funds that the customer can withdraw on demand (that is, without giving any notice of intention to withdraw) for example, current accounts and personal chequing accounts.
Economic Flow	The quantity of an economic variable, for example, money, goods or service that is measured over a period of time, usually one year.
Economic Goals	These refer to the aims or objectives that an organization or the government wishes to achieve during the course of its activities, for example, two objectives of a government are to achieve high employment and to reduce the level of inflation.
Economic Growth	This refers to an increase in a country's real output of goods and services over a period of time, usually one year.
Economic Indicators	These consist of a variety of types of information, obtained mainly from statistics that policy makers use to monitor the state of the economy. Examples of economic indicators are retail price indices, economic growth indices, exchange rate indices and unemployment indices.
Economic Systems	These are the network of organizations designed by countries to solve the economic problem. The three main types are Free Market Economy, Planned Economy and Mixed Economy.
Equilibrium Price	This refers to market price at which the quantity demanded by consumers and the quantity supplied by firms are equal so that there is no incentive for firms to increase or reduce production.
Exchange Rate	This is the rate at which one country's currency trades for another country's currency on the foreign exchange market.

TERMS**CONCEPT**

Factors of Production	These are the economic resources which are used to enable the processes of production to occur. The main types are land, labour, capital and entrepreneurship.
Fiscal Policy	This refers to an economic policy used by a government which involves changing or regulating the rates of taxation and the amount of its own spending in order to bring about changes in the economy.
Foreign exchange reserves	Liquid assets held by a country's government or Central Bank for the purpose of intervening in the foreign exchange market. These include gold or convertible foreign currencies.
Free Rider	A person or organization that benefits from a public good, but neither provides it nor contributes to the cost of collective provision.
Functions of Money	These refer to use of anything accepted as money. These uses include medium of exchange, measure of value or unit of account, store of value and standard of deferred payment.
Gold Standard	A system for fixing exchange rates by the Central Bank or government of each country making its currency freely convertible into gold at a fixed price. Under this system, the par value of exchange rates is set by the amount of each currency that can be obtained for a given quantity of gold.
Legal Tender	Forms of money which a creditor is legally obliged to accept as settlement of a debt.
Money Demand	The amount of wealth every one in the economy wishes to hold in the form of money balances.
Money Substitute	A temporary medium of exchange but not a store of value, for example, a credit card.
Money Supply	The total stock of money in the economy at any moment including currency and demand deposits.
Reserves Requirement	The minimum percentage of their total assets which banks or other financial institutions are required to hold in money balances, or in some form of highly liquid assets.
Resources (Human/Natural/ Capital)	Anything, for example, skills, products and money that can contribute to economic activity.
Savings Deposits	Also referred to as term deposits. This is an interest-bearing deposit that can be legally withdrawn only after notice is given.

TERMS**CONCEPT**

Scarcity	Where demand exceeds supply.
Shortage	When the demand for a good or service exceeds the available supply.
Specialization	Concentration on providing particular types of goods and services, and relying on others to provide what one does not produce.
Spending	Money given out in payment for goods or services. Discretionary Spending - spending which a government body is empowered but not legally required to undertake. This can include both spending on real goods and services, such as public works, and grants to individuals or organizations. Mandatory Spending - spending required by law or by the rules governing schemes like pensions or disability benefits.
Supply	The amount of a good or service offered for sale by suppliers at the price they are willing to sell at, and the amount they are willing to supply at a specific time.
Supply Curve	A curve showing the amount that firms in an industry are willing to supply at each possible price.
Surplus	A situation where supply exceeds demand.
Tax	A payment compulsorily collected from individuals or firms by central or local government. Direct tax - A tax levied on the income or capital of an individual or company. The word 'direct' implies the view of such a tax falls on the person or firm paying it and cannot be passed on to anybody else. Indirect tax - A tax levied on sales of a good or service; the word 'indirect' implies the view that the real burden of such a tax does not fall on the person or firm paying it, but can be passed on to a customer or a supplier.
Trade-offs	The process of deciding whether to give up some of one good or one objective to obtain more of another. The need to trade off goods or objectives against one another is a sign of economic efficiency.
Unemployment	Inability to obtain a job when one is willing and able to work.

◆ GLOSSARY OF TERMS USED IN EXAMINATIONS

TERMS	MEANING	LEVEL
Define; describe; enumerate; identify; label; list; match; name; record; reproduce; select; state; view.	Remembering and recalling of appropriate, previously-learned information.	1 Knowledge
Classify; cite; convert; describe; discuss; estimate; explain; generalise; give examples; makes sense out of; paraphrase; restate in own words; summarise; trace.	Grasping the meaning of informational materials.	2 Comprehension
Articulate; assess; chart; collect; compute; construct; determine; develop; discover; establish; extend; implement; include; inform; instruct; operationalise; participate; predict; prepare; preserve; produce; project; provide; relate; report; show; solve; teach; transfer; use; utilise.	Using previously learned information in new and concrete situations to solve problems that have single or best answers	3 Application
Breakdown; correlate; differentiate; discriminate; distinguish between; focus on; illustrate; infer; limit; outline; point out; prioritise; recognise; separate; subdivide.	Breaking down of informational materials into their component parts, examining and trying to understand the organizational structure of such information to develop divergent conclusions by identifying motives or causes, making inferences, and finding evidence to support generalizations.	4 Analysis
Adapt; anticipate; categorise; combine; compare; compile; compose; contrast; create; design; devise; formulate; generate; initiate; integrate; modify; negotiate; plan; rearrange; reconstruct; reinforce; reorganise; revise; structure; substitute; validate.	Applying prior knowledge and skills to creatively or divergently produce a new or original whole.	5 Synthesis
Appraise; compare and contrast; conclude; criticise; critique; decide; defend; interpret; judge; justify; reframe; support.	Judging the value of material based on personal values and opinions, resulting in an end product with a given purpose, without real right or wrong answers	6 Evaluation

Western Zone Office
2005/24/02



TEST CODE **01216020**

FORM 01216020/SPEC 2005

**CARIBBEAN EXAMINATIONS COUNCIL
CARIBBEAN SECONDARY EDUCATION CERTIFICATE
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SPECIMEN PAPER

ECONOMICS

Paper 02

Time: 2 Hours

INSTRUCTIONS TO CANDIDATES

1. Number each answer in your booklet correctly.
2. Begin each answer on a new page.
3. Use the blank form(s) supplied to prepare answers where necessary.

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SECTION ONE

Answer ALL FOUR questions in Section ONE. Each question is worth 15 marks.

1. International trade is becoming increasingly important to the Caribbean economies. It is the law of comparative advantage which then indicates where countries should concentrate their production in order to maximise the potential gains from trade.
- (a) With reference to the above statement define “comparative advantage”.
[2 marks]
- (b) List THREE gains from trade.
[3 marks]
- (c) Explain why international trade is described as a ‘win-win’ situation.
[4 marks]
- (d) Discuss BRIEFLY the role of the World Trade Organisation in promoting international trade.
[6 marks]

Total 15 marks

2. (a) List THREE types of ‘financial institutions’ found in the Caribbean.
[3 marks]
- (b) Explain the concept of ‘money’.
[2 marks]
- (c) Describe TWO functions of money.
[4 marks]
- (d) Briefly explain how the Central Bank in your country controls money supply in the economy.
[6 marks]

Total 15 marks

3. (a) Define the term 'Economics'. [2 marks]
- (b) List TWO factors that individuals should take into consideration when making economic decisions. [2 marks]
- (c) Explain EACH of the following concepts:
(i) Scarcity
(ii) Choice [4 marks]
- (d) With the aid of a diagram, show how the production possibility curve can be used to illustrate the TWO concepts listed in (c) above. [7 marks]

Total 15 marks

4. (a) Define the term 'factors of production'. [2 marks]
- (b) Identify THREE factors of production and state the reward associated with EACH factor identified. [3 marks]
- (c) With the use of an example, explain the term 'productivity of labour'. [4 marks]
- (d) Countries design economic systems to assist them in the allocation of resources.
(i) List TWO types of economic systems.
(ii) For EACH type listed in (i) above state TWO characteristics. [6 marks]

Total 15 marks

SECTION TWO

Answer any TWO questions in Section TWO. Each question is worth 20 marks.

5. (a) Explain the term 'inflation'. [2 marks]
- (b) State TWO consequences of inflation within an economy. [2 marks]
- (c) 'On account of relentless foreign competition, the major productive sectors of a certain Caribbean country are in decline.'
- (i) Discuss ONE factor that may have contributed to the decline of those productive sectors in the economy of that country. [4 marks]
- (ii) How will a decline in the major productive sectors of the economy of that country affect the Gross Domestic Product, price levels and employment? [9 marks]
- (d) Discuss briefly ONE fiscal measure which can be taken to stabilize the economy. [3 marks]

Total 20 marks

6. (a) Define the following terms:

- (i) Demand
- (ii) Supply

[4 marks]

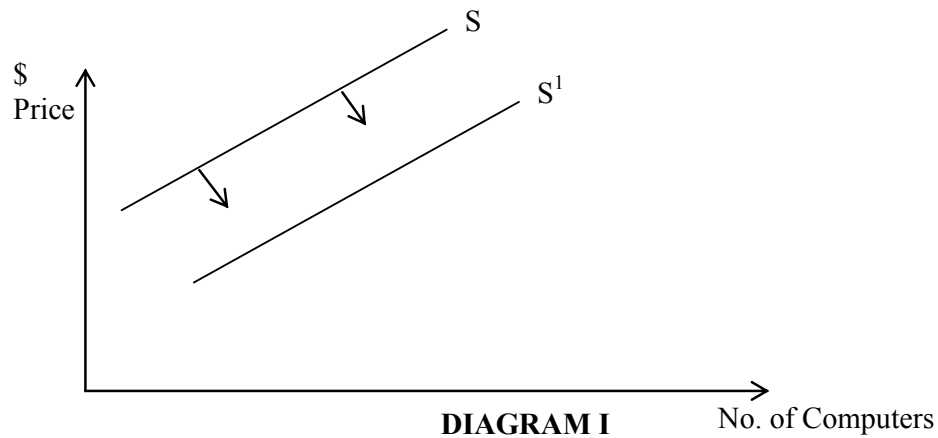
(b) With the aid of a diagram, explain the effects of an increase in the price of bananas on the quantity of bananas demanded.

[6 marks]

(c) Identify THREE determinants of the supply of lap top computers.

[3 marks]

(d)



Using ONE of the determinants of the supply of lap top computers given in (c) above, discuss the factors which may give rise to the movement from S to S¹, in the diagram above.

[7 marks]

Total 20 marks

7. (a) Define the term 'Current Account' and describe the entries which are likely to be recorded in this account. [4 marks]

(b) "Caribbean economies will be impacted in a number of ways with the onset of globalisation and trade liberalisation."

(i) Explain the concepts 'globalisation' and 'trade liberalisation'.

(ii) Outline the possible impacts which the concepts in (i) above are likely to have on Caribbean economies in terms of growth, development, employment levels and balance of payments.

[10 marks]

(c) Discuss TWO measures which can be employed by Caribbean governments with a view to promoting sustained development in the face of globalisation.

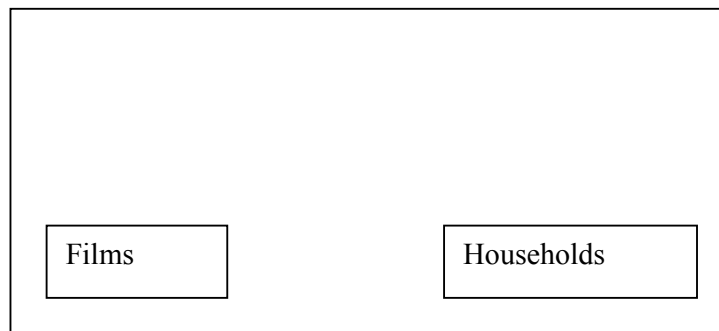
[6 marks]

Total 20 marks

8. (a) What is meant by the 'circular flow of incomes' within an economy?

[5 marks]

(b)



Copy and complete, with proper and correct labelling, the above diagram to represent a simple circular flow diagram, showing the following:

(i) The direction of flow income

(ii) The relevant entries which would constitute this flow

[7 marks]

(c) "In any modern economy, there are injections and withdrawals associated with the flow of income in the economy."

Discuss the above statement.

[8 marks]

Total 20 marks



TEST CODE 01216032

FORM TP 2006

**CARIBBEAN EXAMINATIONS COUNCIL
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EXAMINATION®**

ECONOMICS

Paper 03/2 – General Proficiency

1½ hours

Specimen

1. **Answer ALL the questions.**
2. **Silent electronic calculators may be used, but ALL necessary working should be clearly shown.**
3. **Answer the questions on the Answer Booklet provided and return it.**
4. **Attach additional complete sheets (Ledger, Journal, Cash Book) to this Answer Booklet, where necessary**

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Study the data given in Part A and Part B and answer the questions that follow each part.

PART A

ECONOMIC OUTLOOK FOR BARBADOS

According to a Barbados central bank Report for 2004, unemployment increased to 10.1% in the first quarter of 2004, up from 10% the quarter before. However, this might only be a blip on an otherwise improving trend. Unemployment stood at 11.7% in the final quarter of 2003. At the time of the production of the report, it was expected that the unemployment rate would fall to 9.8% by the end of 2004, down from our previous estimate of 10%, as the economy continued to expand. Further information is provided in the table below.

BARBADOS: MACROECONOMIC DATA AND FORECASTS

Years	2001	2002	2003e	2004f	2005f	2006f
Nominal GDP (US\$bn)	2.5	2.5	2.6	2.8	2.9	3.2
GDP per capita (US\$)	9,444	9,339	9,648	10,089	10,701	11,457
Real GDP growth (%)	-3.4	-0.5	2.2	3.0	3.5	4.0
Unemployment (%)	9.9	10.3	11.0	10.0	9.1	8.5
Annual Inflation (% period average)	2.6	1.4	1.6	2.0	3.0	3.5
Exchange rate (end period BBD/US)	2.00	2.00	2.00	2.00	2.00	2.00
Trade balance (US\$bn, fob-cif)	-0.81	-0.83	-0.95	-0.98	-0.96	-0.97
Foreign debt (US\$bn)	0.68	0.67	0.67	0.58	0.57	0.58

Adapted from: Barbados Business Monitor International e/f=BMI estimate/forecast

Answer ALL questions.

(1) Define the terms CIF and Fob stated in the table.

(i) CIF.....

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(ii) FOB.....

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(4 marks)

(2) Explain the difference between nominal and real values?

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(2 marks)

(3) Explain what is GDP per capita and what it is used to measure?

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(4 marks)

(4) Why are the statistics for Barbados given in US dollars instead of Barbados dollars?

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(2 marks)

(5) Analyse the movement in the trade balance between 2001 and 2003 and the projected forecasts for the following years. (4)

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(5 marks)

(6) Why is there no change in the exchange rate figures?

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(1 mark)

(7) Explain THREE benefits that Barbados would obtain from a falling dept obligation.

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(5 marks)

(8) Plot the annual inflation rate and the unemployment rates against the years given. Explain any relationship between these two variables.

(6 marks)

PART B

ECONOMIC OUTLOOK FOR DOMINICA

On August 6, the International Monetary Fund (IMF), announced that it had completed its second review of the economy in Dominica for the three-year arrangement agreed in December 2003. This released a US\$ 0.45mn payment, taking total disbursements under the programme to US\$ 4.3mn. Although waivers had to be granted given that Dominica failed to meet its external payment targets, the authorities have generally met IMF criteria. However more work is needed, most importantly on the bloated public sector.

(9) Why is a bloated public service bad for Dominica?

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..... (4 marks)

(10) (i) **Compare** the economic position of Barbados and Dominica.
(ii) **Explain three** possible reasons for their differing economic situations.

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..... (8 marks)

Total 40 marks

END OF TEST



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**CARIBBEAN SECONDARY EDUCATION CERTIFICATE
EXAMINATION ®**

ECONOMICS

PAPER 02 – General Proficiency

SPECIMEN PAPER

KEY AND MARK SCHEME

ECONOMICS
PAPER 02 – GENERAL PROFICIENCY
KEY AND MARK SCHEME

SECTION I

Question 1

- (a) Comparative advantage means that the opportunity cost of producing a particular good or service is lower in one country than in another. 2 marks
- (b) (i) Countries can import goods which they cannot produce themselves.
- (ii) More specialization means larger output and lower production costs and therefore offers economies of large scale.
- (iii) It is cheaper to import than to produce. 3 marks
- (c) The idea that one nation's gain must be another one's loss means that a country can promote its own welfare only by having others. However, a win-win situation implies that in any voluntary exchange both parties must gain, or at least expect to gain, something from the transaction. 4 marks
- (d) World Trade Organisation
- (i) oversees the provision of the agreements between trading countries
- (ii) resolves trading disputes
- (iii) reduces trade barriers
- (iv) creates new protection for intellectual property. 6 marks

Total 15 marks

Question 2

- (a) Types of financial institutions
- Commercial Banks
 - Stock Exchange
 - Credit Unions
 - Development Banks
 - Insurance Companies
 - Informal Credit Institution, etcetera 3 marks
- (b) Money is any item considered acceptable to be used as payment for goods and services. 2 marks

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KEY AND MARK SCHEME

(b) Functions of money:

- Medium of exchange
- Measure of value
- Store of value
- Standard of deferred payments

(any two, 2 marks each) 4 marks

(c) The Central Bank controls the money supply in an economy through:

- the issue of coins and paper currency
- the regulation of monetary policy and the money supply with the objective of achieving price stability.
- Acting as the governments bank/issuing treasury bills/making advances/offering economic and financial advice to the government.
- Supervising the operations of other financial institutions in the country, etcetera.

(any three, 2 marks each) 6 marks

Total 15 marks

Question 3

(a) Economics is the study of the creation of wealth out of scarce resources and the production, distribution and exchange of goods and services as well as the behaviour and welfare of those involved in the process.

OR

Economics is the study of how societies use scarce resources to produce valuable commodities and distribute them among different people. 2 marks

(b) Factors individuals should take into consideration when making economic decisions include:

- Income
- Taste
- Wealth
- Borrowing
- Changes in the rate of income tax

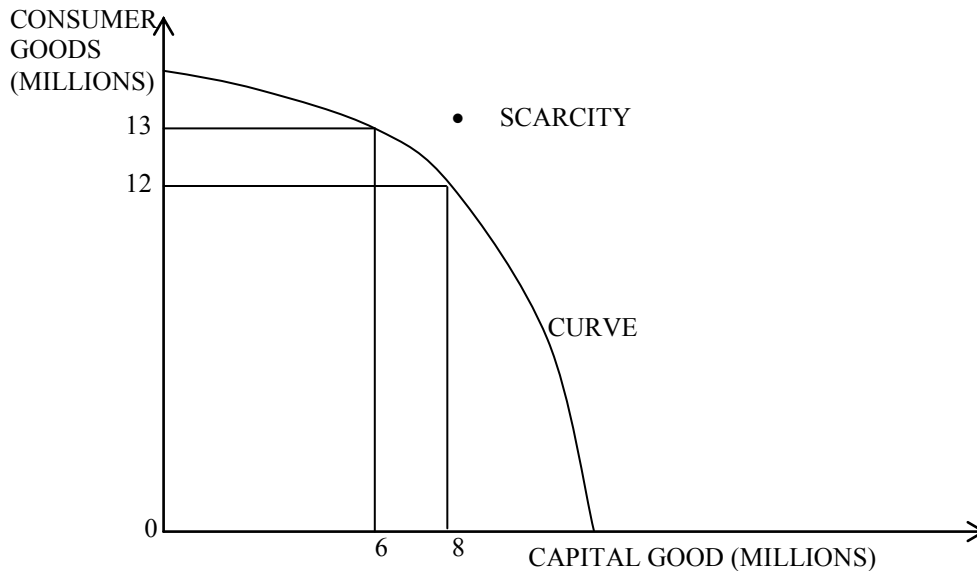
2 marks

ECONOMICS
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KEY AND MARK SCHEME

- (c) Scarcity - When demand exceeds supply. 2 marks

Choice – As a result of the scarcity of resources, consumers are forced to make a choice among alternative things that they value. 2 marks

- (d) Production Possibility Curve



The curve illustrates the combination of two products that can be produced by an economy using all its existing resources as fully and efficiently as possible⁽¹⁾. From the diagram above, it can be assumed that people are likely to want more⁽¹⁾, for example, 17 million consumer goods and 8 million capital goods, but the curve demonstrates that this is not possible because there are not enough resources⁽¹⁾. It also shows that the economy has to make choices⁽¹⁾, for example, it can produce 12 million consumer goods and 8 million capital goods or 13 million consumer goods and 6 million capital goods. The opportunity cost of producing one million more consumer goods as in this case, 2 million capital goods.

(3 marks for drawing and labelling diagram)
 (Any two points, 2 marks each)

7 marks

Total 15 marks

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KEY AND MARK SCHEME

Question 4

- (a) Factors of production refer to the ingredients/economic resources needed for any production process to take place. 2 marks

- (b) Factor of Production Reward
- | | | |
|------------|----------------|--|
| land | rent | |
| labour | wages/salaries | |
| capital | interest | |
| enterprise | profit | |
- (1 marks for each pair) 3 marks

- (c) Productivity of labour refers to the output per worker per unit of time.
 Example I: Mason, Tom Smith is able to lay 200 bricks in 8 hours.
 Example II: Ann, working in a Garment factory is able to sew 40 school shirts in 10 hours.
- (Explanation of term – 2 marks)
 (Example given – 2 marks) 4 marks

- (d) (i) Economic Systems
- Types
- Free Enterprise System/Market Economy
 Planned/Command Economy/Capitalist
 Mixed Economy
 Traditional/Subsistence
- (1 marks for each type listed) 2 marks

- (ii) Characteristics of each type of Economics System
- Free Enterprise/Market Economy
- Factors of Production are owned by private individuals/firms
 - Little or no government intervention
 - Producers are free to choose what, how and for whom to produce
 - Consumers are free to choose what, where and from whom to buy given income levels
 - Prices are determined by forces of demand and supply

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Planned/Command Economy

- Factors of Production are owned mainly by the government or state.
- The government decides what, how and for whom to produce.
- Prices and Wages are set mainly by the government/state
- Most of the economic activities are centrally planned.

Mixed Economy

- This system is a combination of both the market and command economies.
- There is both private and government ownership of the factors of production
- This system consists of a Public Sector controlled by the government and a Private Sector controlled by private individuals and firms.

Traditional Economy

In this system

- Production, in most cases, is done only for what is necessary for survival
- Production is carried out mainly by using the land
- Traditional or primitive skills are used in the production process.

(2 marks for each characteristic)

4 marks

Total 15 marks

ECONOMICS
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KEY AND MARK SCHEME

SECTION B

Question 5

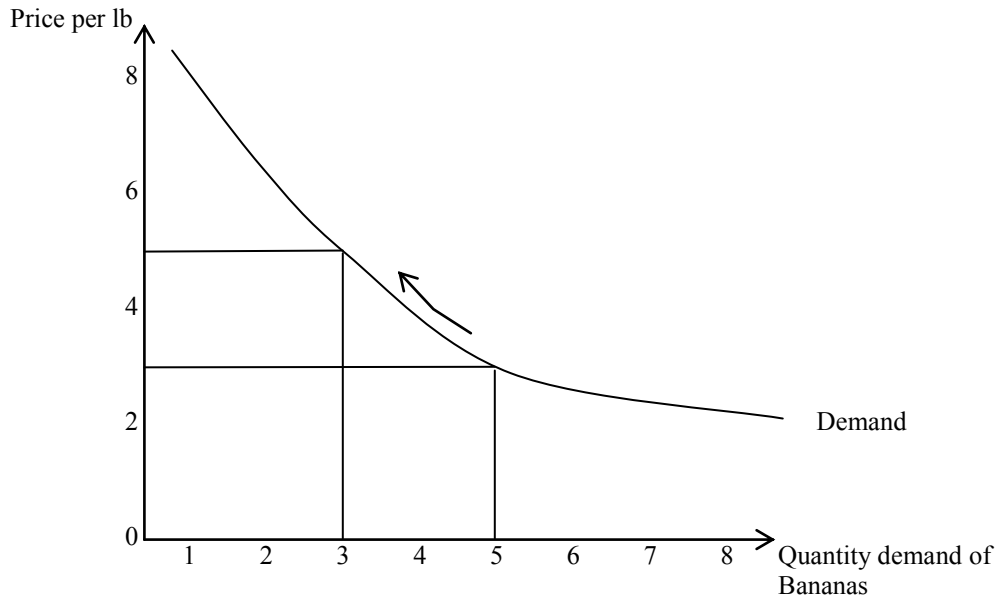
- (a) A general rise in price levels 2 marks
- (b)
- Loss of purchasing power
 - Distortion of business decisions
 - Decline in standards of living
- 1 mark each 2 marks
- (c) (i)
- A fall in GDP
 - A decline in price
- (ii) A decline in employment levels 13 marks
- (d) Fiscal measures
- Tax incentives to the affected productive sectors
 - Subsidies
 - Any other measures
- 3 marks

Total 20 marks

Question 6

- (a) (i) Demand refers to the quantity of a good/service that consumers are willing to buy and the price they are able to pay for this quantity during a given period. 2 marks
- (ii) Supply refers to the quantity of a good/service that sellers/producers are willing to supply and the price they are willing to accept for this quantity during a given period. 2 marks
- (b) When there is an increase in the price of bananas, the effects of this increase would be a decrease in the quantity demanded of bananas. This can be shown by a movement upwards along the existing demand curve as seen in Diagram A below. The diagram shows that when the price of bananas increased from \$3 per lb to \$5 per lb, the quantity demanded of bananas decreased from 5 lbs to 3 lbs. This therefore shows an inverse relationship between price and quantity demanded. 4 marks

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2 marks for diagram

6 mark

- (c) Three determinants of the supply of lap top computers:-

Changes in

- Price/Cost of Factors/Inputs of Production
- Technical progress/advancement/improvements
- Productivity
- Taxes and Subsidies
- Number of Suppliers/Producers

(1 x 3) 3 marks

- (d) If there is reduction in the cost of any factor input **OR** a reduction of taxed **OR** an increase in the number of lap top computer producers, then either of these would cause an increase in the supply of lap top computers.

This would give rise to the situation shown in Diagram I where an increase in supply would cause the entire supply curve to shift/move completely outwards to the right from S to S₁.

This shift shows that more would be supplied at all levels of prices.

- Determinant mentioned – 1 mark
- Direction of change – 1 mark
- Effect of change – 3 marks
- Reference to diagram – 2 marks

7 marks

Total 20 marks

ECONOMICS
PAPER 02 – GENERAL PROFICIENCY
KEY AND MARK SCHEME

Question 7

- (a) The current account consists of a visible trade account (1 mark)
- An invisible trade account (1 mark)
 - It provides for entries regarding remittances (1 mark)
 - It provides for entries regarding international income movement (1 mark) 4 marks
- (b) (i)
- Globalization refers to the integration and interdependence of the world economy. (2 marks)
 - Trade liberalization entails reduction and eventual removal of trade barriers. (2 marks)
- (ii)
- Caribbean growth can be stymied unless these states are able to effectively compete with the rest of the world. (2 marks)
 - If growth is hampered, development will also be hampered since it is dependent on economic growth. (2 marks)
 - Given the above, if Caribbean economies contract, then employment will decline sharply. (2 marks)
 - Adverse balance of payments are likely to result in terms of there being deficits. (2 marks)
- (3 x 2) 6 marks
- (c)
- Broaden the base of the economies so that each economy is supported by multiple sub-sectors.
 - Enhance the efficiency of current sectors.
 - Provide attractive incentives for industrial growth.
 - Create downstream industries.
 - Unite economically ala the CSME etcetera.
- (2 x 3) 6 marks

Total 20 marks

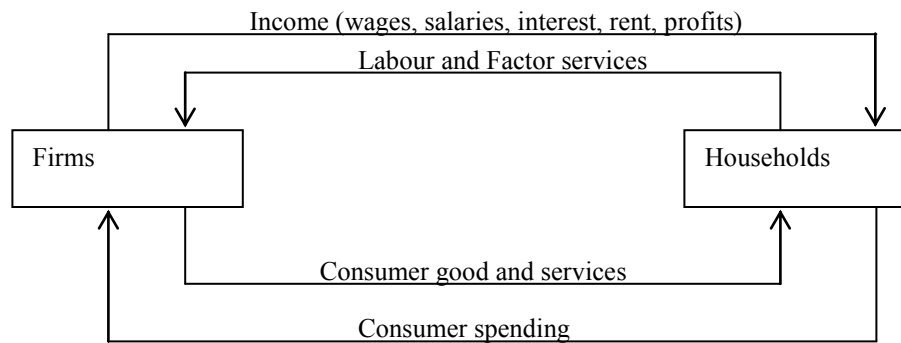
ECONOMICS
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KEY AND MARK SCHEME

Question 8

- (a) This refers to the interaction between firms and households; whereby firms produces goods and services, as well as, employ labour and other factors of production – on the other hand households consumes goods and services, as well as, supply labour and other factors of production – the consumption of goods and services by households entails expenditure; such expenditure is income to firms – the employment of labour and other factors involving expenditure by firms. This expenditure is in the form of wages, salaries, interest, rent, profits.

5 marks

(b)



7 marks

- (b) Injections are sources of expenditure which contribute to the flow of income, while withdrawals are sources of expenditure which causes leakage from the flow of income

- Injections include: Investment, Government Spending and exports
- Withdrawals include: savings, taxes and imports.

8 marks

Total 20 marks



**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
H E A D Q U A R T E R S**

**C A R I B B E A N S E C O N D A R Y E D U C A T I O N C E R T I F I C A T E
E X A M I N A T I O N ®**

E C O N O M I C S

P A P E R 0 3 / 2 – G e n e r a l P r o f i c i e n c y

S P E C I M E N P A P E R

K E Y A N D M A R K S C H E M E

MARK SCHEME AND KEY

- (1) (i) Cost, insurance and freight. (ii) Free on board.
- (2) Nominal values are money values measured at current prices while real values are money values corrected for inflation. (2)
- (3) The value of output produced in a country over a 12-month period per person. It is used to measure a country's standard of living. (2)
- (4) The statistics are measured in US dollars because the Barbadian currency is not traded internationally and there is a need to use an internationally converted currency for standardisation and to aid with comparisons between countries. (2)
- (5) The trade balance showed a persistent deficit rising steadily from 2001 to 2002. Thereafter it is estimated to worsen in 2003. The forecasts show an improvement between 2004 and 2005 and a marginal worsening in 2006. (5)
- (6) There is no change in the figures because Barbados has a fixed exchange rate against the US dollar. (1)
- (7) Benefits include an improved credit rating, opportunity cost of foreign debt payments, attractiveness of location for investment, stability and confidence in the economy or any other appropriate benefit. (2 each but maximum of 5)
- (8) Graph (3) Generally when inflation is rising, unemployment is falling except between 2002 and the estimate for 2003. (3)
- (9) The economy cannot afford a large public service given the economic structure. The wage bill accounts for a large proportion of government spending and it is important to reduce this to meet the targets set for the International Monetary Fund (IMF).
- (10) An appropriate statement outlining the comparison highlighting Barbados's growth position with Dominica's structural adjustment programme is required to show the differing position of the economies. (2 marks) Reason must be given. (2 marks each maximum of 6)
 - i. Management of the economy
 - ii. Investment in human capital
 - iii. Types of exports (primary vs services)
 - iv. Sensitivity to external factors
 - v. Natural disasters
 - vi. Population size and composition (skilled vs unskilled)
 - vii. Any other plausible economic reason

		P1	P2	P3
1	Correct definition 2 marks each. Maximum 4 Award 1 mark for partially correct definition	4		
2	Correct explanation of the difference between nominal and real values 2 marks. Partially correct 1 mark.	2		
3	Correct explanation of GDP 2 marks. Accurate explanation of how it is used 2 marks.	4		
4	Correct explanation in relation to Barbados not currently not trading internationally.		2	
5	Four marks for acceptable, accurate answer. Award marks for partially correct answers as appropriate.		4	
6	Barbados dollar is fixed to US dollar.		1	
7	Two marks for each benefit, but maximum of 5.		5	
8	Appropriate axes – Suitable scales. 1 mark. Figures on both axes appropriately labelled. 1 mark. Appropriate graph show. 2 marks Appropriate statement of relationship. <u>2 marks</u> Total 6 marks			6
9	Appropriate statements. 2x2 marks			4
10	Comparison _____ Reasons 2 marks each maximum of 6		2 6	
		10	20	10

CARIBBEAN EXAMINATIONS COUNCIL

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

MAY/JUNE 2007

ECONOMICS

ECONOMICS

GENERAL PROFICIENCY EXAMINATION

MAY/JUNE 2007

GENERAL COMMENTS

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

DETAILED COMMENTS

Paper 01

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

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

Paper 02

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

Question 1

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

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

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

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

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

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

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

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

Question 2

This question was designed to test candidates' ability to:

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

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

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

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

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

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

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

Question 3

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

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

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

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

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

Question 4

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

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

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

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

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

Question 5

This question was designed to test the following:

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

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

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

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

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

Question 6

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

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

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

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

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

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

Question 7

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

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

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

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

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

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

Question 8

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

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

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

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

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

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

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

Paper 03/1

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

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

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

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

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

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

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

Paper 03/2

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

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

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

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

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

GENERAL RECOMMENDATIONS

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

CARIBBEAN EXAMINATIONS COUNCIL

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

MAY/JUNE 2008

ECONOMICS

ECONOMICS
GENERAL PROFICIENCY EXAMINATION
MAY/JUNE 2008

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.

CARIBBEAN EXAMINATIONS COUNCIL

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

MAY/JUNE 2009

ECONOMICS

ECONOMICS
GENERAL PROFICIENCY EXAMINATION
MAY/JUNE 2009

GENERAL COMMENTS

Economics was offered for examination at the Caribbean Secondary Education Certificate (CSEC) level for the third year in 2009. 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 satisfactory, with the more able candidates scoring at least 40 marks. The less able candidates, however, demonstrated an inability to conduct simple calculations on economic indicators, interpret graphs and charts, and use statistical information in an effective manner. It is strongly recommended that more time be devoted to calculating simple statistical analyses such as price, cross and income elasticities, and trade and current account balances. Furthermore, there seems to be confusion between the terms *demand* and *quantity demanded* and what may be responsible for a movement vis-à-vis a shift in the demand curve.

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 contained four compulsory questions while Section B comprised four optional questions from which candidates were expected to answer any two. Section A tested two micro-economic and two macro-economic topics while in Section B, the macro and micro components of the syllabus were integrated in each of the four questions. The performance was generally satisfactory.

Question 1

This question tested candidates' ability to:

- Define the term 'opportunity cost'.
- List factors that would affect a firm's decision in terms of what to produce.
- Outline factors that might affect the distribution of goods in specific territories.
- Discuss, with the aid of a diagram, the effects of a price ceiling set below the equilibrium price.

Part (a) of the question was generally well done. However, many candidates failed to include in their definitions phrases such as *the next best alternative* or *highest-valued alternative*, hence they did not score full marks. Some candidates, while not using the aforementioned phrases, applied examples to great effect and were therefore credited with full marks.

Part (b) posed a great deal of difficulty for most candidates. Candidates tended to confuse factors that firms must consider in determining what to produce, such as, *price of the good, type of good, cost of production, demand for the good and quality of the good*, with the question of resource allocation.

Part (c) was generally poorly handled by most candidates. Very few candidates were able to outline factors that affected the distribution of goods, such as, *distance, location, nature of the good, and seasonality*, but instead listed factors that affected consumers in accessing goods and services.

Part (d) was well done by most candidates, especially with regard to the first part of the question. Most of the more able candidates drew the demand and supply curves to demonstrate the equilibrium position and used the diagram to explain the effects, such as, *a fall in output, excess demand for, and a rise in price of the commodity*. However, the weaker candidates failed to construct a proper diagram and some who did construct appropriate diagrams, did not use them at all in discussing the effects, hence lost valuable marks.

Question 2

This question was designed to test candidates' ability to:

- List the factors of production.
- Provide examples of the factors of production.
- Explain how the 'market' and the 'government' differed in their allocation of resources in an economy.
- Outline the merits of the market system in allocating resources in Caribbean economies.

Part (a) of the question was generally well done, with many candidates scoring full marks as they were able to recognize *land, labour, capital and entrepreneurial skills/talent* as the factors of production. However, the weaker candidates confused the factors of production with the level of production.

Part (b) was generally well done, especially by those candidates who did well in Part (a). However, a few candidates referred to the activity, such as *farming, fishing, and mining*, rather than the resources, for example, *land, water and minerals*.

Part (c) posed a great deal of difficulty for the majority of candidates. Many candidates provided definitions for the terms 'market' and 'government', rather than indicate that the *market tends to be driven by the profit motive and increased efficiency, while the government seeks greater equity and improved social welfare*.

Part (d) was the most challenging part of the question. The more able candidates outlined the merits of the market system in terms of its ability to *increase efficiency, provide greater choices to consumers, allow for better resource utilization and reduce costs due to competition*. However, many candidates misinterpreted the term 'merit' and embarked on a discussion of, among other things, 'market structure', 'merit goods', 'the fundamental economic questions of what to produce, how to produce and for whom to produce'.

Question 3

This question tested candidates' understanding of the:

- Functions of money
- Roles of the financial sector in an economy
- Methods used by the Central Bank to restrict the supply of money
- Functions of the Central Bank other than restricting the money supply

Part (a) was generally well done, with the majority of candidates identifying money as *a medium of exchange, a store of value, a unit of account and a standard of deferred payment*. These candidates were able to score full marks. However, a few candidates confused the functions of money with the characteristics of money.

Part (b) was also well done. Some of the popular responses included *mobilizing of funds, providing a safe haven, providing loans and accepting deposits*. However, the weaker candidates confused the functions of the Central Bank with the functions of the financial sector.

Part (c) posed a great deal of difficulty for many candidates. The majority of candidates listed fiscal policies such as increased taxation and reduced government spending as means by which the Central Bank can reduce the money supply in an economy. The more able candidates explained that *raising the interest rate, increasing the minimum reserve requirement, engaging in open market operations and printing less money* were media through which the Central Bank restricted the money supply.

Part (d) was generally well done. Most candidates were able to outline the functions of the Central Bank other than restricting the money supply. Some of the good responses included: *(i) acting as the government's bank, (ii) acting as the bankers' bank, and (iii) printing money*. However, some of the weaker candidates mentioned vague points like monetary and fiscal policies, while others merely listed the points mentioned above and made no attempt to elaborate.

Question 4

This question tested candidates' knowledge of the:

- Role of the World Trade Organization (WTO)
- Factors that influenced the exporting of goods and services
- Factors that might cause a country to devalue its currency
- Consequences of a balance of payments deficit

Part (a) was fairly well done, with most candidates being able to identify the WTO as an organization that *sets the trading rules for nations and/or arbitrates on trade disputes* between nations. However, some candidates confused the role/function of the WTO with the policies of international lending agencies such as the International Monetary Fund (IMF).

Part (b) was also generally well done as most candidates were able to gain approximately two-thirds of the marks by listing factors that included *specialization, price of the product, tariff and non-tariff barriers, and government policy*. However, some of the weaker candidates confused the reasons for exports with the general reasons for international trade.

Part (c) was satisfactorily done as candidates were able to outline factors that may cause a country to devalue its currency, such as *to reduce imports, to increase exports, to generate economic growth and to respond to the demands of the IMF*. However, while many candidates were able to list these factors, a fair number could not develop their responses to the extent required by the keyword 'outline'.

Part (d) was satisfactorily done as well, with candidates being able to discuss two consequences, for example, *increased borrowing, increased inflation, reduced spending on social programmes and lowered economic growth*. However, once again candidates demonstrated an inability to develop these points into cogent answers.

Question 5

This question was designed to test candidates' ability to:

- Identify the methods of measuring national income.
- Outline the factors that affected savings.
- Determine why increased wages may lead to increased unemployment in a competitive market setting.
- Distinguish between 'economic growth' and 'economic development'.
- Discuss factors that influenced economic growth in Caribbean economies.

Generally, Part (a) of the question was well done. Most candidates were able to identify the methods of measuring national income as the *income*, *expenditure* and *output methods*, thus gaining full marks. However, there appeared to have been some confusion in the minds of weaker candidates between methods of calculating national income and measures of national output.

In Part (b), most candidates were able to identify two factors that influenced savings, for example, *the level of disposable income*, *consumption* and *interest rates*. However, most merely listed these factors without providing even minimal elaboration. It is clear that closer attention needs to be paid to the meaning of terms such as 'list', 'outline', 'identify' and 'explain', key words frequently used in examination questions.

Part (c) posed a significant challenge for candidates. Most candidates appeared unable to delineate why increased wages in a competitive setting may lead to unemployment. In fact, many seemed unable to distinguish between demand and supply factors of production from the firm's perspective and instead related their answers to demand and supply of consumer goods. Further, most candidates were not able to draw the diagram and use it to explain their responses. However, the more able candidates drew the diagram and indicated that increased wages without a corresponding increase in workers' productivity would lead to a loss for the company, forcing it to lay off workers in an effort to reduce costs and remain competitive.

Part (d)(i) was generally well done, with candidates indicating that '*economic growth*' reflects the increase in production of goods and services over time and is a measure of increased real output of goods and services generated through economic activity. On the other hand, '*economic development*' is viewed as the process of improving the quality of human life through increasing per capita income, thus reducing poverty, expanding social welfare and other such services.

Part (d)(ii) was satisfactorily answered. Most candidates were able to identify factors affecting economic growth inclusive of *consumption*, *savings*, *government spending* and *international trade*. However, many failed to show, with logical arguments, how these factors influenced economic growth in a named Caribbean country.

Question 6

This question tested candidates' ability to:

- List the characteristics of Caribbean economies.
- Define the terms 'trade liberalization' and 'globalization'.
- Outline the benefits of trade liberalization.
- Identify challenges of trade liberalization.
- Discuss measures that governments can adopt to mitigate the challenges identified.

Part (a) was done fairly well by most candidates, with many being able to score full marks. Some of those characteristics of Caribbean economies that were required included *small physical size, vulnerability to natural disasters, heavy dependence on few exports, high dependence on trade preferences, high levels of external debt and relatively high levels of poverty*. However, there were instances where candidates presented responses that were general and not specific to Caribbean economies.

Part (b)(i) attracted mixed responses. The more able candidates were able to distinguish between the concepts ‘*trade liberalization*’ and ‘*globalization*’, identifying the former as *the removal of trade barriers, such as tariffs, quotas and embargoes*, while the latter is *the process by which economies compete in a global economic space*. However, some candidates were unable to provide a satisfactory definition of globalization. For example, instead of defining globalization, they incorporated much of the definition of trade liberalization in their responses.

Most candidates scored well on Part (b)(ii), as they were able to identify the benefits of trade liberalization such as *access to larger markets, improved quality of the products produced and by extension consumed, increased efficiencies and reduced production costs*. However, many candidates were unable to outline how these benefits are derived. Additionally, some candidates presented arguments more relevant to why countries export rather than being specific to trade liberalization.

Part (b)(iii) of the question posed a significant challenge for candidates. Most had a difficulty identifying the *need to compete at a lower cost and against non-tariff barriers, limited regulations and enforcement of those regulations, high levels of emigration, and low levels of productivity* as major challenges of trade liberalization for the region.

Part (b)(iv) was also poorly handled by candidates. It was noted that many candidates presented remedies that conflicted with, or were counter-productive to the objectives of trade liberalization, for example, erecting tariffs, embargoes and quotas in overcoming the challenges identified. Candidates who scored well on this question were able to discuss measures such as *providing indirect subsidies to producers, developing standards and certifying authorities, investing more in training, having managed migration schemes, and providing incentives to workers*.

Question 7

This question tested candidates understanding of the:

- Term ‘market failure’
- Causes of market failure
- Consequences of market failure in the transportation sector of a named Caribbean economy
- Factors that might affect the price elasticity of sugar
- Effects due to a shift to the right of the original demand curve with supply remaining constant

In Part (a), some candidates were unable to define the term market failure as *markets being unable to allocate resources efficiently*, and provided incorrect responses such as market or firms making losses, or a firm or business being unprofitable. Clearly, greater attention needs to be paid to the definitional aspect of economic terminology.

Part (b) of this question was handled well, with many candidates being able to identify and explain the causes of market failure, such as the *presence of monopolies, externalities and public goods*. However, the weaker candidates appeared to confuse the *consequences* of market failure with the *causes* of market failure. A few candidates wrongly identified marketing activities such as market research, branding, and pricing as causes of market failure.

Part (c) was challenging for the majority of candidates, with few being able to relate the consequences identified with the transportation sector. Those candidates who provided satisfactory responses were able to describe *vehicular congestion, over-crowding on vehicles, accidents, noise and air pollution, and inadequate servicing of unprofitable routes* as consequences. On the other hand, the weaker candidates tended to provide general consequences of market failure, such as unemployment, retrenchment and a rise in the level of poverty in their responses.

Part (d)(i) posed a significant challenge for candidates. Most candidates confused conditions of demand and supply with the determinants of price elasticity. The better responses outlined the *time period under consideration, excess capacity, and substitutability of factors of production* as factors that might affect the price elasticity of supply of sugar.

Part (d)(ii) was satisfactorily done. Many candidates produced accurate diagrams, but a few failed to label the diagrams fully or correctly. Some also found difficulty in identifying the effects, such as *an increase in the demand and an increase in the price of the commodity* and relating these to the diagram.

Question 8

In this question, candidates' understanding of the following areas was tested:

- The term 'economies of scale'
- The relationship between cost curves
- The factors that cause inflation in the Caribbean
- The consequences of inflation
- Measures to reduce inflation

Part (a) of the question was fairly well done, with the majority of candidates giving satisfactory responses. Most candidates failed to mention the cost-benefit associated with economies of scale. The more popular responses were benefits/advantages derived from large-scale production.

Part (b) was poorly done, with a large percentage of the candidates not being able to illustrate the relationship between marginal cost (MC) and average cost (AC) and to provide an explanation for the relationship. For example, *when the marginal cost curve is above the average cost curve the latter must be increasing and vice versa. Additionally, the MC curve cuts the AC curve at its lowest point.* In fact, many candidates were unable to provide a proper definition of the MC and AC curves.

Part (c)(i) was generally well done by candidates. They were able to identify the causes of inflation, but in some cases were unable to develop their responses any further beyond mere statements of the causative factors. Other candidates were unable to identify the types of inflation even though the explanations of the causes were accurate.

Part (c)(ii) was generally well done, with most candidates including such responses as *increase in the cost of living, loss of jobs, reduction in the value of the domestic currency, and slowing of the economic growth process in the economy.*

Part (d) was fairly well done. Many candidates were able to identify the measures to reduce inflation, such as *reducing government spending, raising the prime interest rate, increasing the reserve requirement ratio of commercial banks and raising taxes.* However, in cases where monetary and fiscal policies were offered as an explanation, some candidates were unable to clearly link the correct tools to the right policy measures.

Paper 03/1

Paper 03/1 was the School-Based Assessment component of the examination and this was satisfactorily done. The paper aimed at allowing candidates to:

- Investigate an area of special interest within the syllabus.
- Develop the ability to conduct an enquiry and present the findings.
- Involve teachers in the evaluation process.

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

- State the purpose of the investigation.
- Select an appropriate method of investigation.
- Describe the procedures used to collect the data.
- Present the data in a qualitative or quantitative 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.

In order to improve performance on this paper the following points should be noted:

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

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

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 such sources.

Attention should be paid to identifying clearly the purpose of the study and not merely indicating the objective of the study. For example, the purpose of the study can be stated as '*This study is seeking to identify the factors that are responsible for the increased demand for bread in Mid-Town over the last five years*'.

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 to the objectives, hence they could not be used to advance the purpose of the study.

The analysis section of the projects, for the greater part, was more a description of the findings without any discussion in terms of what the implications of the findings were or what may have been responsible for the results found.

Candidates are once again cautioned that plagiarism will be dealt with severely. While the use of material from budget speeches, central banks' annual reports, and periodicals is accepted, re-writing of extracts from such sources is totally unacceptable. There were clear instances of plagiarism with one paper having different names on the cover of the project and with the acknowledgement page that referred to a different subject. Additionally, candidates were found to be submitting identical projects from a previous year. While

candidates may work together they are expected to submit separate projects. Teachers are therefore encouraged to be more vigilant to these possibilities as candidates are heavily penalized for such indiscretions.

Paper 03/2

Paper 03/2 was the Alternative to the School-Based Assessment and it tested candidates' proficiency in interpreting and explaining quantitative and qualitative data on the Caribbean region and its integration efforts, examining the challenges to integration and the benefits that can be derived from embracing it. This paper consisted of five questions for a total of 40 marks. The performance was much improved over the previous two years.

Question 1(a) sought to determine candidates' understanding of the role of the IMF. The question was fairly well answered with most candidates scoring full marks, being able to indicate *that it is a financial institution that provides short-term balance of payments support to facilitate the expansion and balanced growth of international trade, and to provide international monetary cooperation among nations.*

Question 1(b) tested candidates' ability to recall the objectives of the Caribbean Community (CARICOM). This question proved challenging for many candidates. Most answered this question in a general manner without dealing with the specific objectives of CARICOM. Those who scored well were able to identify it as a body that aims to *improve the standard of living and work of the region's populace; encourage the full employment of labour and other factors of production; accelerate, coordinate and sustain economic development and convergence; expand trade and economic relations with third states; enhance levels of international competitiveness; organize for increased production and productivity; and enhance co-ordination of member states' foreign economic policies and functional co-operation.*

Question 1(c) tested candidates' ability to explain how small physical size may be a disadvantage for the region. This question was satisfactorily done with most candidates indicating that small size implies that *many of the producers in the region may be unable to derive economies of scale. They are high-cost producers making them less able to compete on a global scale on a price basis, and the region is vulnerable to external shocks and natural disasters.*

Question 2(a) tested the candidates' ability to provide examples of 'economic growth' and 'economic development'. Most candidates were able to identify *economic growth as an increase in real GDP. It measures a physical expansion in economic activities; while economic development is viewed as the process of improving the quality of human life through increasing per capita GDP, reducing poverty, and enhancing individual economic opportunities. It measures qualitative changes in the quality of life.* However, some of the weaker candidates confused the two terms.

Question 2(b) tested candidates' comprehension of the passage provided. This question was well done with most candidates being able to identify Trinidad and Tobago as the economy with the fastest growth rate.

Question 3(a) tested candidates' comprehension of the passage given. Most candidates scored highly on this question by indicating, among other things, *small size of the labour force, lack of skilled labour, low savings, low level of capital formation, limited ability to exploit natural resources, and low technical advances* as reasons for slow growth in the region.

Question 3(b) sought to test candidates' ability to establish linkages between the factors identified in Question 3(a) and the effects on economic growth in the region. Most candidates answered this question in a satisfactory manner. The better prepared candidates were able to identify such effects as, *a fall in revenue may impact on the government's ability to finance development projects, the decline in revenue may force governments to borrow to meet the shortfall, economic growth may be negatively affected as savings fall thus affecting investments, with low levels of investments industries will be forced to lay off workers leading to increased unemployment in the region and an increase in the cost of living.* Many of the weaker candidates listed these effects but did not develop them.

Question 4(a) tested candidates' ability to identify a single item in the Capital Accounts of the Balance of Payments. A few candidates were able to list correctly one item, either *financial flows or investment flows*. However, the majority were unable to do so. Most candidates incorrectly identified as their answer invisible exports and receipts from exports.

In Question 4(b), candidates were asked to explain how the Caribbean region might benefit from economic integration. This question received mixed treatments. Some candidates were able to identify and explain the benefits, inclusive of *improved standard of living for the region's populace, more efficient operations of social services, increased productivity, improved competitiveness of products produced in the region and full employment of the region's factors of production*. However, most candidates merely listed these points and did not develop them thus losing valuable marks.

Question 5(a) tested candidates' ability to describe the types of unemployment affecting the region. Most candidates were able to list the types of unemployment, but many were unable to describe how they emerged.

Question 5(b) tested candidates' ability to outline 'complementary' measures that governments can put in place to take advantage of regional integration. It appears that most candidates did not know the meaning of the word 'complementary'. As such, many spoke about issues counterproductive to integration, such as establishing trade barriers. However, the better-prepared candidates were able to score marks by identifying and outlining such measures as the *provision of facilities to help producers improve product quality, providing tax breaks to producers, training and retooling the work force, provision of subsidies to assist those sectors that have lost preferences to remain viable in the short-term, and improved transportation systems for easier access to markets within and outside of the region*.

Question 5(c) tested candidates' comprehension of what the loss of trade preferences may mean for the Caribbean region. This question was fairly well answered by most candidates who indicated both positive and negative consequences. For those who indicated positive impacts, they focused on *it forcing producers in the region to become more efficient and seek out lower-cost business solutions, providing an opportunity for the region's products to be more price competitive in the international market place, creating opportunities for more joint ventures and thus increasing more venture capital coming into the region, and increasing market access as countries that had erected trade barriers would now have to remove these, thus allowing the region's products to access a wider market place*. For those who focused on the negative impacts, they indicated that it may lead to *reduced exports from the region as the region's products found it difficult to compete on a price and quality basis due to the relatively small size of operations in the region and the difficulties in deriving economies of scale, reduced economic growth as many of the region's products such as bananas, rice, sugar and spirits lost markets to other lower-cost competitors. This would result in increasing debt as countries found that in an effort to fund their development programmes they were forced to increase their borrowing from external sources, and lowered employment as producers were forced to lay off workers due to shrinking markets for their products as they lost market share*.

General Recommendations

While the subject continues to see improvement in the performance of candidates, there are some areas that continue to hinder satisfactory performance and need to be addressed urgently. With reference to Paper 01, candidates need to pay more attention to definitions and to read the questions carefully. Paying attention to such terms as NOT and EXCEPT which are always printed in upper case for emphasis, and reading each option carefully can make the difference between a good performance and an average performance on this paper.

Similarly, in Paper 02, candidates are encouraged to pay particular attention to such terms as DISCUSS, DESCRIBE and EXPLAIN. In many instances, where these terminologies were used, candidates merely listed the points and did not elaborate, thus losing marks as the responses were not of the required standard. Teachers are also advised to spend additional time with students in identifying the differences in terminology and referring to the syllabus where these are explained.

Lastly, it is clear that the schools still require some assistance with the undertaking of SBAs. It is hoped that those teachers who participated in the annual marking exercises will share their experiences with their colleagues. They can act as ‘trainers’ in their own right to ensure that the quality of the SBAs is at the required standard. Additionally, the following points need to be adhered to at all times if candidates’ performances are to improve in this area:

- As stated in the syllabus on page 27 under the heading “SBA Requirements”, candidates may work individually or in groups to investigate a particular economic-related problem or issue. This implies that as a group, an entire class can study the factors affecting demand for sandwiches from the school cafeteria, for example, but they all MUST write an individual project. This means that the teacher has the latitude to assist the entire class in designing their research instrument at the same time. This may be a questionnaire. Similarly, the objectives of each project may be similar, but not necessarily identical, and the timing of the interviews may be different, thus leading to variations in the findings by the candidates. Even if the fieldwork is done at the same time, it is unlikely that any two projects would be the same due to differences in writing style, expression and comprehension. Teachers are once again reminded to be vigilant.
- Secondly, candidates should be encouraged to ensure that the topics selected are related to an economic issue. It is evident that candidates have been submitting Social Studies and Principle of Business-related SBAs. This is unacceptable and will be dealt with harshly. When reference is made to an economic-related issue, candidates and teachers are expected to use the topics identified in the syllabus as a guide to such issues. Teachers should also encourage candidates to select manageable topics. For example, a topic on an issue in your school, community, village or even youth group is far more manageable than a topic on inflation in Country X or factors affecting the exchange rate in Country Y. Furthermore, some topics are tautological, that is, they are self-evident and should not be selected. For example, undertaking a study on *The Effects of Increased Income Taxes on Disposal Income* is frankly a waste of time. Clearly, it will cause disposal income to decline. The narrower and more focused a project, the greater the likelihood that it will be well done.
- Thirdly, and related to the above point, by selecting ‘large’ projects it makes it difficult for candidates to adhere to the 1,000 – 1,200 word limit as stipulated in the syllabus (see page 27). Candidates will be penalised for exceeding the word limit.
- Fourthly, the examiners are aware that candidates are, on average, 16 years old and do not expect grand project titles. It is evident that some of the projects that are being submitted are not done by the candidates submitting same, given the level and quality of the analyses. By doing the work for the candidates the latter are not being allowed to utilise their full potential. This practice should cease.
- Lastly, there have been noticeable cases of plagiarism in the projects submitted for the SBA. The Examining Committee does not look favourably on this and the candidates will be heavily penalised.

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

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

MAY/JUNE 2010

ECONOMICS

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GENERAL COMMENTS

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

DETAILED COMMENTS

Paper 01 – Multiple Choice

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

Paper 02 – Structured Essays

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

Question 1

This question was designed to test candidates' ability to:

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

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

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

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

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

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

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

Question 2

This question was designed to test candidates' ability to:

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

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

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

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

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

Question 3

This question was designed to test candidates' ability to:

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

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

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

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

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

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

Question 4

This question was designed to test candidates' ability to:

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

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

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

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

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

Question 5

This question was designed to test candidates' ability to:

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

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

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

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

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

Question 6

This question was designed to test candidates' ability to:

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

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

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

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

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

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

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

Question 7

This question was designed to test candidates' ability to:

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

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

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

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

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

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

Question 8

This question was designed to test candidates' ability to:

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

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

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

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

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

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

Paper 03/1 – School-Based Assessment

The School-Based Assessment(SBA) aimed at allowing candidates to:

- Investigate an area of special interest within the syllabus
- Develop the ability to conduct an enquiry and present the findings
- Involve teachers in the evaluation process.

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

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

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

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

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

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

It is imperative that students seek to link the various parts of their project. In too many instances, recommendations were not connected to the findings. Furthermore, in many cases, the data collected were not related to the problems identified or to the objectives, hence they could not be used to advance the purpose of the study.

The analysis section of the projects, for the greater part, was more a description of the findings without any discussion in terms of what the implications of the findings were or what may have been responsible for the results found.

Students are once again cautioned that plagiarism will be dealt with severely. While the use of material from budget speeches, central banks' annual reports and periodicals is accepted, re-writing of extracts from such sources without acknowledgement is totally unacceptable. Additionally, students were found to be submitting identical projects or portions of projects that were identical. While students may work together, they are expected to submit distinct projects. Educators are therefore encouraged to be more vigilant to these possibilities as students are heavily penalized for such indiscretions.

Paper 03/2 – Alternative to School-Based Assessment

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

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

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

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

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

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

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

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

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

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

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

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

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

RECOMMENDATIONS

There are some definitive recommendations that can help to improve candidates' performance at this level. With reference to Paper 02, candidates are encouraged to pay attention to such terms as *describe*, *discuss*, *explain*, and *distinguish*. In many instances where these terminologies were used, candidates merely listed the points and did not elaborate upon them.

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

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

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

CARIBBEAN EXAMINATIONS COUNCIL

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

MAY/JUNE 2011

**ECONOMICS
GENERAL PROFICIENCY EXAMINATION**

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GENERAL COMMENTS

Economics was offered for examination at the Caribbean Secondary Education Certificate (CSEC) level for the fifth time in 2011. The examination consisted of Paper 01, the Multiple-Choice paper, Paper 02, the Structured Essay paper, Paper 031, the School-Based Assessment (SBA), and Paper 032, the Alternative to the SBA for private candidates.

DETAILED COMMENTS

Paper 01 – Multiple Choice

This paper consisted of 60 multiple-choice questions drawn from all sections of the syllabus. Performance was satisfactory. Attention still needs to be focused on the calculation of elasticity, Gross Domestic Product (GDP) and the balance of payments. Questions involving interpretation of data posed difficulties to some candidates.

Paper 02 – Structured Essay

This paper sought to test candidates on a range of topics identified in the syllabus. It was divided into two Sections: A and B. Section A contained four compulsory questions while Section B comprised four optional questions from which candidates were expected to answer two. Section A tested two microeconomic and two macroeconomic topics while in Section B, the micro and macro components of the syllabus were integrated in some of the questions. Performance was generally satisfactory.

Question 1

This question tested candidates' ability to:

- Define sole trader
- List three advantages of being a sole trader
- Explain the circular flow of income using a diagram
- Describe two demerits of a centrally planned economy

Part (a) was fairly well done. Weaker candidates confused managing or running the sole trader business with the ownership of that type of business.

Part (b) was generally well done. Although some candidates were not able to clearly define a sole trader, they had an excellent knowledge of the benefits of being a sole trader. Some candidates, however, failed to clearly outline the advantages or kept repeating the same point in different words. For example, "you can be your own boss" and "you can make all the decisions". These two phrases are synonymous and do not earn separate marks.

In Part (c), a large majority of candidates drew the diagram without explaining it and lost two of the six marks available. Some students had difficulty in showing the flow of income and/or gave incorrect directional arrows of the flow.

Part (d) was fairly well done. Although some candidates were able to identify the various demerits of the planned economy, they were unable to clearly give explanations of the points listed. Some candidates misinterpreted the term 'demerit' for demerit goods in the economy.

Question 2

This question tested candidates' ability to:

- Define income elasticity of demand and cross elasticity of demand
- Identify one factor that affects income elasticity of demand
- Explain two factors that affect price elasticity of demand
- Calculate price elasticity of demand and interpret the result obtained

Generally, the question was in keeping with the content of the CSEC Economics syllabus. The question was compulsory and although it was attempted by over 95 per cent of candidates, it was very poorly answered. On average, candidates scored less than 15 per cent of the total marks allotted to the question. It was clear that candidates were not knowledgeable about elasticity. They had difficulties expressing themselves and applying this knowledge.

Part (a) of the question left much to be desired as candidates confused the different types of elasticities. For example, in some responses income elasticity of demand was defined as “the responsiveness of demand to a change in price”. This is incorrect. The correct definition of income elasticity of demand is *the degree of responsiveness of demand to change in income*, or put more technically, *the income elasticity of demand is a measure of the percentage change in demand caused by the percentage change in income*.

Part (b) proved to be very challenging as the majority of candidates could not correctly identify one factor which affected income elasticity of demand. Most candidates gave ‘income’ as their answer. This was incorrect. Answers required included *nature of the good; time period; amount of money spent on the good as percentage of profit income*.

Candidates' inability to express their thoughts and apply their knowledge of elasticity to answer the questions resulted in them responding poorly to Part (c) of the question. Of the candidates who were able to identify the determinants of price elasticity of demand, only a very small percentage could clearly and correctly explain these determinants. Part (c) appeared to have been problematic for most candidates as it was evident that they could not distinguish between the determinants of demand and the determinants of price elasticity of demand.

Part (d) was generally well done. Overall, candidates' calculations were clear and accurate and their interpretation of the results was precise.

Question 3

This question tested candidates' ability to:

- Define disposable income
- Identify three major causes of inflation
- Explain three ways in which a trade union could seek to improve the working conditions of its members
- Discuss two measures that a government could adopt to stabilize the economy after a recession

Many candidates scored full marks for Part (a) of the question. Some candidates however gave partial definitions of the term. The most common partial definition given was “money available for spending”. Candidates who did so were awarded some credit for their response. There were also some poor definitions of disposable income. Some of the poor responses included “money used for expenses” and “income earned after all expenses had been deducted”.

The majority of candidates performed well in Part (b). In most cases, candidates were able to score two out of the three marks available for this part of the question. Many candidates identified an increase in demand but failed to complement it with 'supply remaining constant'. Also some candidates identified an increase in the cost of production and went on further to give an example of an increase in the cost of production, as a separate cause of inflation for example, an increase in the wages of labour. Candidates who adopted this approach were not awarded full marks.

In Part (c), most candidates attempted this question and it was fairly well done. The most popular response was industrial action, yet, only a few candidates used economic jargon in their responses, such as collective bargaining, industrial action and political activities. Many candidates also failed to identify political activities as one of the ways in which trade unions can seek to improve the working conditions of its members. Candidates also identified desired outcomes rather than the measures that could be used by the trade union to improve the working conditions of the workers.

Most candidates attempted Part (d); they performed fairly well. Candidates discussed a range of measures including fiscal policies, monetary policies, borrowing from international lending organizations, foreign direct investment and prioritizing government expenditure/spending. Candidates who did not score full marks on this question simply identified the measure but failed to show how the measure can be implemented by the government. Also, some candidates identified an expansionary fiscal/monetary policy as their first measure and went on further to identify a contractionary fiscal/monetary policy as the second measure. Candidates who did this were not awarded full credit.

Overall, most candidates attempted all parts of the question and performed fairly well.

Question 4

This question tested candidates' ability to:

- Define tariff
- List three factors that influence imports into a country
- Explain two factors that could affect the value of a floating exchange rate
- Distinguish between a managed exchange rate and a fixed exchange rate

The question was attempted by 98 per cent of candidates and approximately 45 per cent of them gave satisfactory responses.

Part (a) was generally well done. The vast majority of candidates understood that a 'tariff' was a 'tax'. However, weaker candidates made mention of other protectionist measures such as quotas and embargoes instead of imports.

Generally, candidates performed well on Part (b) which required three brief responses. In many cases answers were repetitive. Some candidates opted to rewrite the question as the answer while others explained each point in significant detail instead of listing their response in clear, concise phrases or statements as was required. There were cases where candidates confused the factors affecting supply with factors affecting imports.

Part (c) was poorly done. Candidates neglected to interpret the question correctly and as such few provided accurate responses. Approximately 80 per cent of candidates provided an explanation of the factors affecting the floating exchange rate as demand for and supply of foreign exchange but very few gave factors underlying the causes of the movements of the demand and supply such as *inflation* or *purchasing power parity*, *economic stability* and *interest rate changes*. They were however awarded full marks for full explanations using just demand and supply movements.

Although some candidates were able to correctly identify answers based on their interpretation of the question, they were unable to comprehensively explain how these factors would ultimately affect the value of the floating exchange rate. In several instances, candidates confused the terms 'devaluation' and 'revaluation' as utilized under a fixed exchange rate regime with 'appreciation' and 'depreciation' concepts in the floating exchange rate regime.

Part (d) posed some difficulty for most candidates as they were unable to distinguish between managed exchange rate and fixed exchange rate. Candidates explained their answers using the same terms from the question or used synonyms. For example, "the fixed exchange rate is fixed or constant and the managed exchange rate is managed". Candidates failed to grasp that a dirty float/flexible float or managed float is different from a free floating system since maximum and minimum values or boundaries are set by the Central Bank in the case of the former.

Few candidates referred to the role or responsibility of the Central Bank in its intervention in the foreign exchange market with regard to maintaining both systems of foreign exchange. The Central Bank (agent for implementing monetary policy including foreign exchange rates) was often used interchangeably with the government (responsible for determining fiscal policy).

Question 5

This question was the least popular of the optional questions.

This question tested candidates' ability to:

- Define Gross Domestic Product
- Identify five items used in calculating gross domestic product when using the expenditure approach
- Explain four ways in which a recession could affect the gross domestic product in your country
- Use a numerical example to show how nominal output and real output differ

Generally, Part (a) was well done. Although most candidates possessed knowledge of the concept GDP, others omitted key words or phrases from the definition; for example, "in a given time period" or "within a country".

Similarly, in Part (b), over 80 per cent of the candidates were able to identify at least three of the five items used in the expenditure method of calculating GDP. However, for those who could not identify all five, the 'consumption' component (C), appeared to have been the most problematic as it was noted that many candidates wrongly identified it as 'capital'.

Part (c) was attempted by at least 90 per cent of the candidates; however, performance on this question was poor. While most candidates were able to identify the adverse effects of a recession (for example, increased unemployment), the majority failed to show how the adverse effect could affect the GDP.

Part (d) was the least attempted with close to 60 per cent of the candidates failing to provide a response. Moreover, of those candidates who did attempt the question, very few demonstrated knowledge of the concepts 'nominal output' and 'real output' and the formula used to calculate either of them.

Question 6

This optional question was the second most popular among candidates. Overall, candidates performed poorly.

This question tested candidates' ability to:

- List three factors that cause a change in demand
- Distinguish between a change in quantity supplied and a change in supply
- State two benefits gained from a country's membership of the World Trade Organization
- Explain how the two benefits listed can be useful to the economy of their country
- Discuss two negative effects on Caribbean economies which can result from a loss of preferential trading arrangements

Candidates performed well on Part (a); however, some of them failed to score maximum marks as they incorrectly identified price as a factor affecting demand. Some candidates also identified complements and substitutes as factors but did not specifically state changes in the price of these goods.

Part (b) was the most poorly done; many candidates confused the differences between a change in quantity supplied and a change in supply. A large number of candidates demonstrated absolutely no understanding of these concepts.

In Part (c), although the marks scored were low, performance was perhaps the best by candidates who attempted this question. Responses to (c) (i) were often more relevant or better suited for (c) (ii) in that candidates stated how the benefits of the WTO helped countries instead of identifying the direct benefits. In several cases, candidates also appeared to confuse the WTO with international financial institutions.

Many candidates did not attempt Part (d) and those who did showed that they had no knowledge of what preferential trading arrangements were. Others who were able to obtain some marks did so because of the use of examples illustrating negative effects of the loss of these arrangements.

Question 7

This optional question was the most popular among candidates. Candidates' performance on this question ranged from very commendable to satisfactory.

This question tested candidates' ability to:

- Differentiate between a treasury bill and a treasury bond
- List three characteristics of money
- Explain two benefits of moving from a barter system to one which uses money as legal tender
- Discuss two ways in which the use of electronic payments impacts consumers and businesses

Responses to Part (a) were satisfactory. Most candidates were able to identify that *a treasury bill is a short term financial instrument while a treasury bond is a long-term financial instrument*. However, weaker candidates confused a treasury bill with a receipt and a treasury bond with a contract agreement. Many candidates also confused the role of the government in the issuing of these securities.

Responses to Part (b) were very good. Candidates were able to identify three characteristics of money. However, a few candidates confused the characteristics of money with its functions.

The responses to Part (c) were satisfactory. Candidates generally showed a good understanding of the concepts of barter and money as legal tender. However, most candidates provided explanations which lacked coherence.

The responses to Part (d) were excellent. Candidates showed a good understanding of the benefits to be derived by both businesses and consumers from performing electronic transactions. However, a few candidates confused electronic payments with payment by cheques and usage of ATMs, while very few candidates showed no knowledge of what electronic payments implied, making reference to electronic items in their responses.

Question 8

This question tested candidates' knowledge of both microeconomic and macroeconomic objectives. It was the third most popular question, most likely due to candidates' ability to draw from knowledge in other subject areas such as Principles of Business and Social Studies. Overall, performance on the question was fair.

This question tested candidates' ability to:

- Define economic integration and debt burden
- List three benefits of large-scale production
- Identify two characteristics of a mixed economy
- Explain two disadvantages of a mixed economic system
- Discuss two benefits that their country may gain from its membership of the CARICOM Single Market and Economy (CSME)

In Part (a), where candidates should have been able to score maximum marks for knowledge of basic definitions, performance was perhaps the worst. Many candidates failed to define the debt burden in a national context or from the perspective of the country (as opposed to the individual) and many could not clearly articulate the concept of economic integration, scoring only partial marks.

Part (b) appeared to be the strongest part of the question for most candidates; the majority was able to correctly identify at least two of the benefits of large-scale production, with several even gaining full marks.

For Part (c), most candidates were able to state the characteristics of the mixed economic system but very few discussed its disadvantages satisfactorily. Several candidates did not seem to have read the question properly, having discussed advantages instead of disadvantages as required.

Part (d) saw a wide range of responses. Most candidates demonstrated a basic understanding of the CSME and its general benefits. However, only a few discussed the specific economic benefits to their country. Candidates nevertheless managed to score fairly well on this part of the question.

Paper 031 – School-Based Assessment

Title of Project

The majority of students chose topics that were within the scope of the syllabus. However, some topics were not clearly stated. Some students researched sociological and environmental topics rather than topics with an economic bias.

Purpose of Project

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

Collection of Data

More than half of the students identified three or more sources of data which were evidenced in the research project. No marks were awarded where there was no evidence of the source in the project. Identification of the source must be combined with the use of that source.

Presentation of Data

Very few students scored full marks on this section. Marks were lost when students failed to label and name graphs as well as provide titles for figures presented, which were in most cases missing.

Interpretation and Analysis

There was a need for more in-depth discussion of data from the questionnaires. Some students incorporated the use of secondary data in cases where broad macro topics were researched. The majority of students did not link their analysis to economic theory regarding the topic as well as to all the objectives identified earlier in the project. In some instances, there was no link between the discussion in the analyses and the figures in the presentation of the data.

Findings and Recommendations

The majority of students were able to derive at least four findings from the research which were linked directly to the data collected. In a few cases, the recommendations were far-fetched or inappropriate but the majority of candidates stated recommendations that were linked to their findings.

Communication of Information

The use of grammar and communication of information was excellent overall.

Paper 032 – Alternative to School-Based Assessment

Question 1

The question tested candidates' ability to:

- Define discount rate and liquidity
- List four functions of a commercial bank
- Identify the change in growth of customer deposits from the extract
- Identify the change in Standard and Poors' outlook on the Barbadian economy

Successful candidates defined discount rate as the *interest rate charged by central banks on loans given to commercial banks*. However, too many candidates defined discount rate as the "discounted price of a good or service".

It is surprising that very few students knew how to define liquidity. Performance in this section was generally good. A few candidates identified functions of the central bank instead of the commercial bank. Most candidates were able to identify specific changes in the Barbadian economy based on the extract.

Question 2

The question tested candidates' ability to:

- Describe two functions of the central bank based on the information in the extract

The majority of candidates merely listed the functions of the central bank without drawing on the data in the extract to support the functions listed. This was an error. Overall, performance on this question was fair.

Question 3

The question tested candidates' ability to:

- Explain how reduced discount rates can increase economic activity
- Explain how two tools of monetary policy, other than discount rates, are used to increase economic activity in an economy

Only partial explanations about commercial banks were given without any reference to discount rates. Some candidates confused discount rates with interest rates charged by commercial banks in general. Performance was generally poor.

Some candidates failed to develop their arguments fully while others merely listed tools of monetary policy. Poor responses focused on fiscal policy, exchange rate policy and devaluation.

Question 4

The question tested candidates' ability to:

- Explain how high liquidity could reduce the effect of the lowered discount rate

This question required candidates to apply knowledge and understanding of monetary policy to the economy at a time of high liquidity and diminished consumer confidence. Candidates earned marks for partial explanations but performance was generally poor. The expected response is: *Lowered interest rates tend to be attractive only if there is a shortage of funds available in the banking sector. Consumers are not accessing loans because of lack of confidence in the economy and have concerns about the future so commercial banks have no need for additional funds from the Central Bank.*

Question 5

The question tested candidates' ability to:

- Discuss two problems that are implied by “and all that comes with such a slowdown”

Generally, candidates were able to discuss the consequences of recession but only a few did so in a manner that allowed them to score more than three marks out of six. Very little development of the discussion took place. Candidates displayed very poor literacy skills.

RECOMMENDATIONS

Candidates should:

- Be conscious of questions asking them to: 'list', 'explain' and 'distinguish' since this will allow for more efficient time management and accurate responses.
- Observe the mark allocation for each part of the question as this provides a guide for the total amount of response to be written.
- Endeavour to utilize the language of economics based on economic theory as opposed to writing generally.
- Pay more attention to spelling and literacy skills in general.

CARIBBEAN EXAMINATIONS COUNCIL

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

MAY/JUNE 2012

**ECONOMICS
GENERAL PROFICIENCY EXAMINATION**

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GENERAL COMMENTS

Economics was offered for examination at the Caribbean Secondary Education Certificate (CSEC) level for the sixth year in 2012. The examination consisted of Paper 01, the multiple-choice paper, Paper 02, the structured essay paper, Paper 031, the school-based assessment (SBA), and Paper 032, the alternative to the SBA for private candidates.

DETAILED COMMENT

Paper 01 – Multiple Choice

This paper consisted of 60 multiple-choice questions. Performance was satisfactory. Attention still needs to be focused on calculations in general, specifically elasticity, GDP and the balance of payments. Additionally, questions involving interpretation of data tended to give some candidates difficulty.

Paper 02 – Structured Essay

This paper sought to test candidates on a range of topics identified in the syllabus. It was divided into two Sections: A and B. Section A contained four compulsory questions while Section B comprised four optional questions from which candidates were expected to answer 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. Performance was generally satisfactory.

Question 1

This question tested candidates understanding of basic economic principles such as choice and opportunity cost. The question tested candidates' ability to

- define the term *economics*
- list the three main components of an economy
- explain two factors that a consumer has to take into account before buying a good
- use a diagram of a production possibility curve to explain how opportunity cost can be illustrated.

Part (a) was fairly well done. However, there were many incomplete definitions of *economics*. Many students failed to recognize *economics* as a study of resource allocation. Part (b) was poorly done. There was general confusion over what the three main components of the economy are with some candidates giving the types of economic systems as possible answers instead of households, firms and government as was required.

Part (c) was generally well done. Responses were, however, very broad and often lacked a clear economic basis. Part (d) was also fairly well done. There were, however, many inaccurate diagrams. Where diagrams were accurate, there was an inability to use relevant points to express opportunity cost. Many candidates focused on choice along the PPF instead of clearly identifying the alternative foregone. Some candidates did not have a clear understanding of the term *resources* and as a result often used the term interchangeably with goods and services. Greater attention must be given to the drawing and labelling of diagrams and to ensuring that candidates understand and learn definitions of key economic concepts.

Question 2

This compulsory question was attempted by approximately 98 per cent of the candidates. In general, the performance was unsatisfactory with approximately 10–15 per cent of candidates unable to score any marks.

It tested candidates' ability to

- define the term *cartel*
- list three characteristics of an oligopolistic market structure
- use two separate diagrams to explain the effect of a reduction in the price of computers on computers and printers (related goods)
- explain two problems that can arise from a firm being the only producer in the market.

This question tested candidates' understanding of oligopolies and monopolies. In addition, it tested demand and supply analysis, in particular, the ability to distinguish between *shifts of the curve* and *movements along the curve*.

Part (a) was handled well by most candidates. Unfortunately, many candidates seemed unaware of the economic definition and linked the term with illegal activities such as drugs and prostitution. For Part (b), a very large percentage of candidates were able to score between two and the maximum three marks despite the fact that they experienced difficulties with Part (a). Candidates who did not perform well gave characteristics of market structures rather than distinctive characteristics of an oligopoly. Responses such as 'many buyers' and 'no government intervention' were inappropriate.

Performance on Part (c) was average, with most candidates demonstrating an understanding of market equilibrium and complementary goods. However, many of them were unable to make the distinction between *shifts of the curve* and *movements along the curve* as well as the distinction between a *change in demand* and a *change in quantity demanded*. Finally, although many candidates were able to articulate that computers and printers are jointly demanded, they were unable to represent this using graphical analysis.

Part (d) did not pose a difficulty to candidates, with the majority of them earning between two and the maximum four marks. However, it was noted that although some candidates were able to identify two problems, they were unable to develop an adequate explanation. In addition, unsuccessful candidates confused a monopoly with sole proprietorship. Finally, it was evident in candidates' responses that many could not distinguish between private sector and public sector monopolies. Hence, many stated that a monopoly would lower prices, operating at a loss, rather than stating that the monopoly was a price maker and would charge higher prices.

Question 3

This was a compulsory question. It was attempted by most candidates (approximately 96 per cent). It was poorly done. It tested candidates' ability to

- define terms of trade and balance of trade
- state one factor that could affect the terms of trade of a country
- calculate the balance of trade over a period of four years given a table and analyse the movements in the balance of trade over the period
- explain two economic effects of an adverse balance of trade on an economy.

Part (a) (i) was poorly done. The majority of candidates provided a legal definition of the concept of *terms of trade* rather than an economic explanation. For example, many candidates referred to the rules and regulations that govern international trade in their response. The candidates who appeared knowledgeable about the topic did not include the correct economic terminology of *ratio* or *price*.

Part (a) (ii) was unsatisfactorily done. Most candidates failed to understand that there is a distinction between *balance of trade* and *balance of payments*. Additionally, weaker candidates could not mention that the balance of trade refers to goods or tangibles or visibles only. Further, many candidates did not state that balance of trade indicates a difference in exports and imports as opposed to exports plus imports or exports and imports.

Part (b) was poorly done. A lack of understanding of Part (a) (i) led to incorrect answers in this section of the question. Candidates focused on factors affecting international trade as a broad social topic instead of terms of trade. Examples of wrong answers given included 'weather conditions', 'war', 'natural disasters' and 'raw materials'.

Part (c) (i) was unsatisfactorily done. Some candidates were unable to calculate *balance of trade* even though they provided the correct definition in Part (a) (ii). Candidates gave summative figures for the years 1990–1993 rather than providing for each year, that is, they stated the balance of trade at the end of the period rather than for each year in isolation. In others cases, candidates used the formula for terms of trade while others obtained the correct balance of trade figures with the wrong signs.

Part (c) (ii) was poorly done. Generally, candidates displayed an inability to describe the trend, and therefore were not able to recognize a fluctuation in the figures. Some candidates looked at absolute values while others looked at the trends in imports and exports separately as opposed to the data analysis for the balance of trade itself.

Part (d) was unsatisfactorily done. Many candidates provided definitions, causes and even the solutions rather than effects of an adverse balance of trade. Some gave social effects and were generally unable to provide logical explanations. Other candidates seemed confused as they gave responses that applied to a favourable balance of trade.

Question 4

This question was compulsory and was attempted by 98 per cent of candidates with approximately 45 per cent giving satisfactory responses. It tested candidates' ability to

- define *investment* and *savings*
- identify one factor that affects investment
- explain two ways in which fiscal policy can improve a recession (that is, a rise in unemployment and a fall in business investment)
- explain two factors that could have caused the recession.

For Parts (a) (i) and (ii), most candidates were able to achieve maximum marks, with the exception of those who included the words 'invest' and 'save' in their responses which was repeated from the words to be defined. In Part (b), candidates performed well. Some factors identified by some candidates were too vague; for example, money and capital did not merit any marks.

For Part (c), approximately 50 per cent of the candidates answered satisfactorily. However, a large number of candidates were unable to distinguish between monetary and fiscal policies. Furthermore, candidates confused contractionary fiscal policy with expansionary fiscal policy. In Part (d), many candidates approached the question from a microeconomic perspective—they looked at the firm—rather than a macroeconomic perspective. Candidates' responses reflected their confusion in Part (c) regarding contractionary and expansionary fiscal policy. They also looked at types of unemployment as opposed to the factors causing the recession.

Question 5

This question was the third most popular question of the optional questions. It was attempted by approximately 25 per cent of the candidates and 15 per cent of them gave satisfactory responses. The question tested candidates' ability to

- differentiate between fixed and variable cost with examples
- list three types of business organizations
- distinguish between economies and diseconomies of scale and illustrate this on a diagram.
- explain how a baker would respond to the three resource allocation decisions that arise in a free-market economy.

Part (a) tested candidates' ability to differentiate between fixed and variable cost and give relevant examples. This part of the question was fairly well done. Weaker candidates were not able to indicate that there was a connection between cost and output level and appropriate examples were not always provided. Candidates confused short run and long run and related cost behaviour to time rather than to changes in output.

Part (b) tested candidates' ability to list three types of business organizations in an economy. This question was generally well done by most candidates, as they were able to identify types of business organizations such as sole proprietor, partnership, private limited companies etc. However, weaker candidates gave names of business organizations and a few candidates incorrectly identified market structures.

Part (c) contained sub-parts. This question posed challenges to candidates. In Part (c) (i), most candidates could not link decreasing cost in the long run average cost (LRAC) curve, to economies of scale and increasing cost on the LRAC to diseconomies of scale. Some candidates failed to state that the economies and diseconomies of scale were long-run concepts.

Most candidates omitted Part (c) (ii) and those who attempted it were not able to draw the LRAC curve and identify the area that represented economies of scale and diseconomies of scale. In those cases where diagrams were drawn, they were inappropriately labelled or not labelled at all.

Part (d) tested candidates' ability to identify and apply the three resource allocation decisions to a baker in a free-market economy. Most candidates were able to identify the three allocation decisions as *what to produce*, *how to produce* and *for whom to produce*. However, they were not able to link these questions to the producer (baker). Some candidates focused more on the allocation of resources in a free-market economy, that is, no government interference in making decisions in the free market. Some candidates focused on the location of the factors of production for the production process in the economy.

Question 6

This optional question was the least popular for candidates. Overall the performance of candidates was fair.

The question tested candidates' ability to

- define common external tariff and import quota
- identify three reasons why governments adopt protectionist policies
- explain two items that would be found in the current and capital account, with examples
- determine the specific area of the balance of payments in which each listed item would be found.

Part (a) (i) was fairly well done. Most candidates understood that a tariff was a tax. Only a small minority understood the common external tariff and correctly related it to an economic union imposing a standard tax on non-union members. Part (a) (ii) was very well done. Most candidates gained full marks on this question as they had a good grasp of the economic concept.

Part (b) was fairly well done. Some candidates clearly stated the reasons for protectionism while others who lacked knowledge of the topic stated the effects of protectionism. Part (c) (i) was also fairly done. Most candidates were able to state two items in the balance of payments accounts but were unable to give examples of these items.

Part (c) (ii) was not very well done. Most candidates confused the accounting terminology with the economic meaning of capital account and current account by giving examples such as assets and liabilities.

Part (d) was fairly well done. Most candidates were able to gain marks by being able to identify that transactions belonged either in the *current account* or the *capital account*. They, however, were unable to state the specific category for the item within the balance of payments, for example, import of a service in the current account.

Question 7

This optional question was the second most popular for candidates. Some candidates performed very commendably while the majority obtained satisfactory marks. This question tested candidates' knowledge of Section 7 of the syllabus, Caribbean Economies in a Global Environment.

This question tested candidates' ability to

- write the abbreviations CSME, OECS, IMF and FDI in full
- list three characteristics of Caribbean economies
- discuss two potential benefits of trade liberalization to an economy
- explain two ways in which e-commerce may encourage economic activity in an economy.

In Parts (a) (i–iv), candidates were required to write abbreviations in full. Most candidates were able to identify the acronym *CSME*. Weaker candidates could not identify *OECS* and *FDI*. Part (b) tested candidates' ability to identify three characteristics of Caribbean economies. Most candidates were able to handle this part. However, they were not able to identify characteristics *unique* to Caribbean economies

but to developing countries in general. A few candidates gave characteristics that made their country part of the Caribbean.

Part (c) tested candidates' ability to discuss the potential benefits of trade liberalization. Most candidates were able to identify and discuss at least one benefit of trade liberalization to the economy. Some candidates identified the definition of liberalization as a benefit. Some candidates referred to barter and preferential trade agreements (trading blocs) as benefits. Many candidates did not discuss their points to link benefits to the economy although overall performance on this part of the question was good.

Part (d) tested candidates' ability to explain how e-commerce may encourage economic activity in an economy. Many candidates misinterpreted this part to mean *benefits* of e-commerce only and did not link it by stating how these benefits encouraged economic activity. Many candidates also used the answers for part (c) to answer Part (d). Some candidates did identify *convenience, safety, and lower start-up costs*.

Question 8

This question was the most popular optional question, most likely due to candidates' gravitation towards money and its related topics. Overall performance was fair. The question tested candidates' ability to

- define the stock exchange and credit union
- list three functions of the central bank
- explain the circular flow of income using a diagram
- explain two ways in which an insurance company can contribute to the economic development of a country.

Approximately 80 per cent of the candidates attempted this question. The question sought to assess candidates' knowledge of the financial sector. Candidates were required to show their ability to apply this knowledge correctly, to answer the question. More specifically, it required candidates to demonstrate their understanding of the characteristics and/or functions of some economic agents, including households and financial institutions such as the stock exchange, credit unions, the central bank, etc.

Close to 60 per cent of the candidates who attempted Part (a) failed to correctly define the terms identified. Of those who provided incorrect responses, it was evident that they misinterpreted the questions or confused the concepts with other terms/concepts. For instance, in attempting to define stock exchange, more than half of the estimated 60 per cent of candidates defined it as 'the process of buying and selling of shares...' rather than as *the financial institution which facilitates such buying and selling*. In the same way, a number of candidates defined foreign exchange rather than stock exchange.

Similarly, in defining the term *credit union*, over 50 per cent of the candidates who attempted the question confused it with trade union. As such, there were responses referring to the functions performed by trade unions such as 'seeking to have higher wages' and 'better working conditions for their members'. Of those who correctly described a credit union as a financial institution, only about 50 per cent of them went on to indicate one of its key characteristics; that is, it is owned and operated by its members. Also, a very small percentage of the candidates indicated that it is a cooperative. However, several candidates did identify some of the financial services offered to members by credit unions.

Overall, about 40 per cent of the candidates gave reasonable responses to Part (a) with approximately 15–20 per cent clearly and succinctly articulating a comprehensive response.

For Part (b), the functions of the central bank appeared to be well understood. The majority of candidates were able to sufficiently list the major functions. A small percentage of them confused the functions of the central bank with the functions of money and in some cases candidates gave functions of commercial banks rather than the central bank. In most instances however, candidates obtained full marks.

Part (c) proved challenging for candidates. Only about 40 per cent of the candidates who attempted this question were able to adequately represent the three major players (in the case of a closed economy) in the circular flow of income with clear indications of the directional flows. However, of the remaining 60 per cent, most named the two key players—firms and households. Nonetheless, many candidates neglected or were unable to precisely explain the relational flow between households and firms. In several cases, money was mentioned as payment from firms to households but the cycle was incomplete as the flow from households to firms was omitted. A small number of candidates responded by venturing beyond the closed economy but ended up with confusing, inaccurate responses. Among this small percentage of candidates, pie charts and other diagrams containing information unrelated to the question were given. In an isolated case, the water cycle was drawn and explained, demonstrating lack of knowledge of the required content material.

Part (d) in particular was fairly well done by approximately 45 per cent of the candidates. A number of candidates listed correct points but challenges cropped up as many of them were unable to develop these points to clearly show the link between the activities of insurance companies and economic development. In some instances, candidates limited insurance services to health insurance and motor insurance only. Moreover, there were a number of occasions when candidates likened insurance companies to health care facilities/providers.

Paper 031 – School-Based Assessment

Title of Project

A significant 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 more appropriate for the CSEC level. Studies should be focused 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’, for example, are acceptable.

Purpose of Project

Most students were able to identify three objectives related to the title of the project. Only a few students stated only one legitimate research objective with the others being personal objectives. Students are reminded that their aims or objectives must be clear and directly linked to their topic and that they should also avoid vague statements such as ‘to gain full marks towards their final grade’.

Collection of Data

This was also an area where students demonstrated good capability. In order to score maximum marks, students ought to identify in their methodology and/or bibliography at least three sources of data (textbooks, statistical reports, websites, questionnaires and observations, etc.). 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 students failed to include different ways of presenting data such as pie charts, bar charts, tables etc. In some cases, this was due to poorly selected topics which did not lend themselves to adequate/efficient data collection. Students are also reminded that graphs, charts and other forms of 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 of variables over time.

Interpretation and Analysis

Most students were able to interpret the data presented adequately 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. Students are reminded that this is an extremely essential part of the report and should ensure that enough time and effort are devoted to meaningful analysis. Students must also avoid textbook regurgitation or straight repetition of secondary data as this does not constitute data analysis.

Findings

Not many students handled this section well as they repeated exactly what was already said for interpretation and analysis instead of summarizing the major research findings and 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

Students generally did not obtain high marks for this section of the report because they either completely omitted the section entirely or made very general recommendations which were not specific to their research. In this section of the report, students 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 students should be able to score maximum marks by paying due attention to spelling, punctuation, sentence structure and other grammatical elements both in the written report sections as well as titles and labels of graphs and charts. Students 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 students are not penalized for handwritten reports and manually drawn graphs, these submissions should still be neatly and clearly done so that all information is communicated effectively.

Paper 032 – Alternative to School-Based Assessment

This paper provided candidates with stimulus material on an aspect of a small island developing state's economy. Five short answer questions, based on the stimulus were expected to be answered.

Question 1

Overall, 53 per cent of candidates scored between four and seven out of a maximum of ten marks for this question. The question tested candidates' ability to

- define a *tariff* and an *externality*
- state two characteristics of small developing states
- identify, from the extract, the measure adopted to make vehicles more affordable to citizens
- calculate the percentage change in the number of vehicles imported into Trams between 2000 and 2009.

Part (a) was well done. Most candidates demonstrated good knowledge of the term *tariff* and earned full two marks. Part (b) had satisfactory responses. While some candidates displayed knowledge of the concept of an externality, many of them failed to identify an externality as *an indirect or third party effect of production or consumption activity for which no compensation is received*.

Part (c) was poorly done. Some candidates were able to identify that small island developing states (SIDS) have small markets and limited resources when compared to developed economies. However, many candidates showed limited knowledge of the characteristic peculiar to SIDS and their responses were too general.

Most candidates earned one out of a maximum of two marks for Part (d) because their answers were too general and did not quote the specifics of the policy, that is, vehicles over three years and below 1500cc. Part (e) was a calculation question and candidates were required to again use information (figures) in the extract to calculate a percentage. This was poorly done. Candidates' responses displayed an inability to compute simple percentage changes.

Question 2

The question tested candidates' ability to explain how a reduced tariff on overseas used vehicles was expected to improve the public transport system. It was drawn from Section 3.3 of the syllabus. The majority of candidates failed to give a clear and adequate explanation of how a reduced tariff was expected to improve the public transportation system. Most candidates earned one mark for merely listing the effects without the required elaboration. This mainly resulted from candidates' misinterpretation of the question due to their lack of knowledge of the technical part of the extract which related to the vehicles being below 1500cc.

Question 3

The question tested candidates' ability to describe two effects of a reduction in the import tariff rate other than an improvement in the public transport system, drawing from the information in the extract. This question tested Section 3.22 of the syllabus. Most candidates simply stated the effects of the proposed policy and did not use information from the extract to build and augment their answer. As a result, the average score was two out of a maximum of six marks..

Question 4

The question tested candidates' ability to:

- explain two negative externalities associated with the policy that was implemented, indicating clearly how they affected the economy of Trams
- discuss one measure each that could be taken to address each of the externalities identified.

Part (a) was based on Section 3.23 of the syllabus. Candidates' performance was generally unsatisfactory. Many candidates did not seem to fully grasp the concept of negative externalities as responses included general negative effects on the economy. Part (b) was linked to Part (a) and was particularly poorly done. Candidates evidently lacked the ability to evaluate and apply measures to address externalities. Some earned only one mark for merely listing the measures.

Overall, 57 per cent of candidates earned between zero and three marks out of a total of ten marks.

Question 5

The question tested candidates' ability to:

- identify one import policy which more developed countries may adopt to improve their fleet of vehicles
- discuss two reasons why the policy identified may be difficult to implement.

This question tested Section 7.2 of the syllabus. Part (a) was satisfactorily done as most candidates scored one of the two marks for simply stating a policy. However, some of them failed to earn the second mark since they did not elaborate on their answer.

Part (b) was very poorly done. Many candidates failed to discuss reasons why the policy identified in Part (a) may be difficult to implement in Trams. In some cases, candidates simply listed reasons but did not discuss the reasons as required.

This question was the most poorly answered since 87 per cent of candidates scored between 0 and 3 marks out of a total of ten marks.

RECOMMENDATIONS

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

Candidates should

- be aware of the requirements of key verbs in the question such as *list*, *explain*, *distinguish* since this will allow for more efficient time management and accurate responses
- endeavour to utilize economic language based on economic theory as opposed to general writing
- pay more attention to literacy and spelling
- spend more time on analysing *trends* in economic data.

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**

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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.

CARIBBEAN EXAMINATIONS COUNCIL

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

MAY/JUNE 2014

**ECONOMICS
GENERAL PROFICIENCY EXAMINATION**

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GENERAL COMMENTS

Economics was offered for examination at the Caribbean Secondary Education Certificate (CSEC) level for the eighth year in 2014. 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 mean for this paper was 69 per cent.

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 contained 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, one micro-economic topic and three macro-economic topics were tested. The mean mark for this paper was 34 per cent.

Question 1

The question was a compulsory question and tested candidates understanding of section 1 of the syllabus. The mean score for this question was 52 per cent.

This question tested candidates' ability to:

- State the name of a curve given a definition of production possibility curve (PPF).
- Identify whether the opportunity cost was increasing, constant or decreasing, given figures in a production possibility schedule.
- State information given in a table on the maximum amount of sugar production that can be produced given the maximum amount of bananas produced.
- State two factors that would cause a shift inwards of the production possibility curve.
- Determine whether a combination given is efficient or inefficient based on the information in the production possibility schedule.
- Explain two factors that should be considered before opening an internet café.

Section (a) was well done. The majority of candidates correctly identified a production possibility curve. Very few candidates incorrectly said a demand curve.

Section (b) (i) was generally well done. Most candidates were able to identify that decreasing opportunity cost occurred for the movement from point A to E.

Section (b) (ii) was generally well done. Most candidates were able to identify that 0 tons of sugar would be produced when 40,000 tons of bananas were produced. The information was accurately obtained from the table given.

Section (b) (iii) was generally well done. Most candidates were able to identify factors that caused a shift in the PPF but the question asked specifically for a shift inwards. Responses given did not in all cases allude specifically to the shift inwards. Additionally, factors given needed to represent a response linked to a fall in resources or a fall in the productivity of current resources.

Section (c) was satisfactorily done. Most candidates were able to correctly identify c (i) as operating efficiently and c (ii) as operating inefficiently. The majority of candidates, however, could not explain the reason, using the information in the table. They were required to explain that c (i) was efficient because it

represented a combination in the table used to draw a PPF and therefore was a point on the line while c (ii) was inefficient because the table showed that if 1000 tons of sugar was produced, a maximum of 25,000 tons of bananas could possibly be produced therefore since 15,000 tons of bananas fell below the maximum, the combination would fall below the curve.

Section (d) seemed to be generally well done. Most candidates were able to list two factors but fell down in the explanation of the factor linked to the opening of an internet café.

Question 2

The question was a compulsory question and tested candidates understanding of section 2 of the syllabus. Candidates' mean score on this item was 30 per cent.

This question tested candidates' ability to:

- Define the terms economic system and capital goods.
- Give one example of a capital item.
- Explain two types of economies of scale derived from moving from a small food stall to a large restaurant.
- Calculate average total cost and marginal cost from information given in a table.

Part (a) (i) was poorly done. Many candidates defined economics and not economic systems.

Part (a) (ii) was satisfactorily done, although weaker candidates confused capital goods with money.

In Part (b), candidates were able to identify a range of examples for capital goods with the most common examples being buildings and machinery.

In Part (c), the question alluded to the movement from a small firm growing internally into a larger one. Many candidates listed examples of internal economies but did not develop the explanation. Common examples were marketing, technical and financial economies but candidates seemed not to be able to explain what they represented and how these economies of scale worked.

Part (d) also proved to be challenging for the candidates. Many candidates did not know how to calculate average total cost and marginal cost from the information in the table provided. Overall candidates performed marginally better in calculating average total cost than marginal cost.

Question 3

The question was a compulsory question and tested candidates understanding of section 6 of the syllabus. The mean for this item was 24 per cent.

This question tested candidates' ability to:

- Define the terms 'exchange rate revaluation' and 'managed exchange rate'.
- State the name of the protectionist measure that limits the quantity of goods entering a country.
- Describe two disadvantages of moving from a fixed rate to a flexible rate in the Caribbean.
- Analyse one benefit of using devaluation to correct a balance of payments problem.

In part (a), while many candidates were able to identify that there was an increase in the value of the exchange rate, the weaker candidates stated that there was a change, or a decrease, or that there was a change in the price of goods and services. Most candidates were awarded one out of a possible two marks as they did not indicate that this increase was related to a fixed exchange rate system.

Most candidates were unable to define a managed exchange rate. This part was poorly done by most candidates.

In part (b), candidates knew protectionist measures, but some were confused as to which measure referred to a limited quantity. Nonetheless, it was a fairly done question.

Part (c) posed a great difficulty for the candidates. In some cases, they defined a fixed exchange rate or a floating exchange rate. In other instances, candidates identified relevant disadvantages; such as uncertainty or instability of the exchange rate, inability to make estimations and projections. However, they did not further develop the point in a logical manner showing how Caribbean countries may be at a disadvantage.

In part (d), candidates overall did not make the connection between a devaluation and a balance of payment problem, which is a balance of payment deficit. Hence, they were not able to go on to explain the benefits that could be derived from a devaluation of a country's currency to correct a balance of payment deficit – namely an increase in price of imports and a decrease in price of exports and how this would affect the demand for exports and imports based on the degree of elasticity, which would lead to a correction of the balance of payment deficit.

Question 4

The question was a compulsory question and tested candidates understanding of section 5 of the syllabus. The mean for this item was 32 percent.

This question tested candidates' ability to

- Define the term 'economic goals'
- List three economic goals of government.
- Explain two disadvantages of using gross domestic product (GDP) as a measure of standard of living.
- Calculate the GDP (using the information in a table) using the expenditure approach.

Part (a) of the question was generally well done. The majority of candidates were able to provide a fair definition of the term "economic goals". Weaker candidates however were unable to express a precise meaning since they confused the goals of an economy with goals of individuals, firms and households. Few candidates stated that these aims should be achieved in the future and within a specific time frame.

Part (b) of the question was fairly well done as most candidates identified at least two of the required three economic goals. The responses indicated that some candidates had difficulty in using macroeconomic terms as it related to the economy instead they chose to state microeconomic variables. It should also be noted that some candidates indicated social and political goals as opposed to economic goals.

Part (c) of the question posed a great deal of difficulty. Most candidates misinterpreted the question. The majority of candidates presented an answer based on the consequences of high or low levels of GDP in a country as opposed to the disadvantages of using GDP as a measure for standard of living. Others presented arguments in favour of using GNP instead of GDP as a more accurate indicator mostly due to the consideration of elements such as property income going and coming from abroad. Despite some difficulty in the use of economic phrasing, in certain cases, candidates still performed fairly well on this section by providing clear examples of unregistered activities within their home countries.

Part (d) of the question was generally poorly done. It seemed evident that most candidates were unaware of the formula to calculate GDP using the expenditure approach. The vast majority of candidates arrived at an inaccurate GDP by simply doing a summation of various components given in the question.

Question 5

The question was optional and tested candidates' understanding of section 4 of the syllabus. The mean score for this item was 36 per cent and was attempted by half of the candidates.

This question tested candidates' ability to

- Define the terms 'gold standard' and 'equity securities'
- List three types of financial institutions.
- Explain one advantage and one disadvantages of the informal sector to the financial sector
- Analyse two benefits of electronic payments to an individual.

In part (a) (i) more than 75 per cent of the candidates were unable to respond with an accurate definition of 'gold standard'. In most cases, candidates responded with reference to the standard of living in a country.

Also, the definitions offered by candidates for (a) (ii) lacked accuracy. Approximately fifty per cent of the candidates failed to record any marks for this part of the question. Some candidates referred to 'equity securities' as government bonds, treasury bills and collateral for loans.

In Part (b), more than seventy per cent (70%) of the candidates were able to score at least two of the three marks available for accurately listing three types of financial institutions.

In part (c), it was evident that the majority of the candidates had knowledge of the informal sector. However, in responding to this part of the question, some candidates offered detailed descriptions of examples of activities that took place in the informal sector but offered little by way of the negative and positive contributions of the informal sector to the financial sector. Instead, the majority of candidates wrote about the possible positive and negative effects of the informal sector on the economy.

In part (d), most candidates were able to score at least three of the five points available for this part of the question. While the majority of candidates were able to readily identify two benefits of electronic payments to the individual, the level of analysis was below the acceptable levels for CSEC level Economics candidates.

It is recommended that teachers pay close attention to the definition of key economic concepts (see glossary in Economics syllabus). Further, teachers are advised not to teach these concepts in isolation but should present their candidates with opportunities to link the economic concepts to real-life situations. This will allow the candidates to maximize marks in profiles 2 and 3.

Question 6

The question was optional and tested candidates' understanding of section 6 of the syllabus. The mean for this item was 23 per cent and was attempted by less than 20 per cent of the candidates.

This question tested candidates' ability to

- List three examples of transfers found in the current account section of the balance of payments.
- Define the terms investment income and balance of payments disequilibrium as they relate to a country's balance of payments.
- Explain two ways increases in a country's exchange rate can affect the balance of payments account.
- Calculate the current account balance from information given in the table on balance of payments data given in a country.

In part (a), more than 80 per cent of the candidates who attempted this part of the question were unaware of the transfers found in the current account. Hence, they simply utilized the components in the table for part (d) of the question to answer part (a). Moreover, many candidates misinterpreted 'transfers' to mean electronic transfers. As a result, terms such as 'Western Union', 'money transfers' and 'electronic payments' were seen in some responses.

In Part (b) (i), candidates provided an accounting definition for 'investment income' and did not answer in relation to the Balance of Payments as instructed. Therefore, a large number of candidates did not score any marks for this part of the question.

In Part (b) (ii), it was clear that most candidates understood the term **disequilibrium** in the context of the question to mean ‘not balanced / equal’ or ‘not summing to zero’. However, in their responses several candidates interpreted Balance of Payment disequilibrium as being synonymous with disequilibrium in the goods market. Thus, in defining Balance of Payment disequilibrium, many candidates used demand and supply as opposed to inflows and outflows. Similarly, it was observed that focus was placed more on explaining balance of trade deficit and by extension, current account deficit, instead of showing divergence in the entire balance of payments. Candidates appeared not to fully understand that the balance of trade is not the balance of payments but merely a part of it.

Added to that, it was noted that many candidates automatically viewed balance of payment disequilibrium as a deficit and as a result, a large number of them who gave a reasonable definition of the term only focused on balance of payment deficit.

Part (c) of the question required candidates to discuss the impact of an increase in the exchange rate on the balance of payments of an economy. Most candidates were aware of the major impacts of an increased exchange rate. However, many of them did not elaborate on, or sufficiently explain, the points which they listed. But even when some candidates did go on to develop their responses, they failed to do so in relation to the balance of payments. And since this was an 8 mark question, a number of them did not earn more than 6 marks. It was also observed that several candidates misinterpreted an increase in the exchange rate to mean depreciation instead of an appreciation.

In Part (d) of the question, candidates were awarded a total of 5 marks for correctly calculating the Current Account balance, using a given table of items. Close to 70 per cent of those who attempted this question were able to identify the items required to calculate the balance of trade. However, only a small percentage was able to correctly calculate the visible and invisible trade balances. Less than 15 per cent of the candidates were able to correctly identify the income figures required to complete the calculation for the Current Account. In some cases candidates simply tallied all the items given in the table to calculate the current account balance. The average mark obtained by candidates for part (d) was approximately 2. Overall, question 6 was poorly done, with less than 7 candidates earning the maximum (20) marks allotted for the question. The vast majority of candidates recorded marks below 10.

Question 7

The question was optional and tested candidates’ understanding of section 3 of the syllabus. Approximately 84 per cent of the candidates attempted this item. The mean obtained was 39 per cent.

This question tested candidates’ ability to

- Define the term market ‘equilibrium’.
- Identify the two main market forces in an economy.
- List three causes of market failure.
- Explain a statement in the context of cross elasticity of demand.
- Discuss two impacts on the market that may result from the introduction of a low cost airline carrier in the Caribbean.

In Part (a), while nearly all candidates attempted (a), approximately 50 per cent of them did not provide a precise definition for the term. However, the definitions provided by most candidates were clear enough to earn them the maximum 2 marks allotted for the question. A number of the incorrect responses to this question defined market equilibrium as the point where price equals quantity demanded.

In part (b), the majority of candidates who answered (a) correctly were able to restate ‘demand’ and ‘supply’ as the two main market forces. Most of the incorrect responses were based on market structures and a few on economic systems.

Part (c) of the question instructed candidates to identify three causes of market failure; but a significant percentage of the responses saw candidates confusing the causes of market failure with the consequences.

There were some responses with both causes and consequences while some candidates simply omitted (c). However, there were cases where candidates were able to correctly identify three or more causes of market failure.

Part (d) may be considered as the most challenging aspect of question 7 as it posed a high level of difficulty for the candidates in several areas. For this section, candidates were required to show an understanding of cross elasticity of demand as it relates to a price hike in gasoline and its impacts on motorists. With reference to the terms 'hike' and 'motorists', which were key to answering the question, it was found that candidates misunderstood their meanings. Hence, they were not able to adequately address the question. In addition, many candidates confused the definition of 'price elasticity of demand' with 'cross elasticity of demand' in their explanation. As such, they did not clearly explain how a hike in the price of gasoline would impact the demand for either its complements or its substitutes. The vast majority of candidates who attempted this question earned less than 70 per cent of the 8 marks allotted as they gave only partial responses in most cases.

In part (e) a large percentage of the candidates made a reasonable attempt at answering the question. However, they did not adequately discuss two impacts on the market that might have resulted from the introduction of a low-cost airline carrier. Consequently, less than 40 per cent of them earned a full 5 marks for their responses. The vast majority of candidates earned between 2 and 3 marks for part (e). Candidates tended to discuss the impact on the economy as a whole rather than on the airline market as the question asked.

Question 8

The question was optional and tested candidates understanding of section 7 of the syllabus. 38 per cent of the candidates attempted this question. The mean was 32 per cent.

This question tested candidates' ability to

- Define the terms 'debt burden' and 'economic integration'.
- List three stages of economic integration.
- Explain two benefits of the Caribbean Community of adopting a common external tariff.
- Analyse two effects of foreign direct investment on the economies of Caribbean countries.

For part (a) (i) of the question, most candidates were unable to give a proper definition for 'debt burden'. In most instances, candidates were able to define 'debt' but stopped short of establishing the 'burden'. Less than 5 per cent of the candidates answered this part of the question from the context of a debt to GDP ratio. Further, some candidates attempted to define 'debt burden' from an individual rather than a national standpoint.

In (a) (ii), the majority of candidates did not offer a sound definition of 'economic integration'. In most cases, candidates failed to define the concept beyond the "coming together" of countries, thus omitting the economics of it.

The majority of candidates were able to score marks for this question. However it must be noted that those who earned marks did so by presenting practical examples of integration instead of the name of the stage (example 'CSME' for 'common market').

The majority of candidates demonstrated an understanding of the concept 'common external tariff'. However, more than 50 per cent of the candidates responded by explaining the benefits of being members of CARICOM instead of offering explanations as to the specific benefits of the common external tariff.

Most candidates exhibited some knowledge of the concept 'foreign direct investments and were able to score at least three (3) of the five (5) marks available for this question. Part (d) was fairly well done. Most candidates were able to identify two effects whether positive or negative of foreign direct investment. Marks were lost because the development of the points was weak.

Teachers can better prepare their candidates for the required level of application and analysis by drawing from actual examples that exist particularly within the Caribbean region.

Paper 03/1 - SBA

Project Title

In many cases the titles for projects were too vague. “Inflation”, “Globalization”, or “Recession” are too broad. Investigations of teenage pregnancy are more suited to the Social Studies syllabus. Appropriate topics should be at the micro or community level. For example, rather than research “Inflation in Antigua” it would be more appropriate to examine “The effects of the rise in prices in the community of Clare Hall”.

Purpose of Project

Aims and objectives were often poorly stated and sometimes unrelated to the stated title. Candidates should state at least three, distinct, specific aims which are directly related to syllabus content.

Collection and Presentation

In most projects, candidates identified three sources with at least one being a primary source and secondary source. However, it was common that there was no evidence in the project that the stated source had actually been used. It is recommended that teachers supervise candidates closely during the research phase and ensure that candidates reference their sources where appropriate.

Where questionnaires have been chosen to collect primary data, teachers should guide candidates to create a brief list of appropriate questions. For example, a candidate examining unemployment should not ask respondents “Are you experiencing frictional unemployment?” but rather ask the specific reason why the individual is not working. This allows the candidate to later determine the correct category of unemployment based on the theory.

Candidates must place less emphasis on presenting the demographic data that has been collected and more on the data directly relevant to the topic. Attention must be paid to correct labelling of graphs and charts, and the correct use of each. Common mistakes included the incorrect use of histograms to present continuous data and line graphs which should be used to illustrate trends over time. Graphs taken from secondary sources should be referenced and are best placed in an appendix.

Interpretation and Analysis

This section was overall poorly done. Candidates tended to simply summarize the graphical data but did not make inferences using economic theory. Emphasis should be placed on discussing those points which are related to the aims of the project and linking the data to what has been learnt in the classroom. Poorly chosen topics often resulted in the failure to accomplish this task.

Findings and Recommendations

Candidates should take care to state three findings which are related to the previously stated aims of the project. Weaker candidates simply made generic comments and repeated what was said in the analysis.

Recommendations, although sometimes good, were not clearly stated. Candidates must make plausible recommendations which are linked to the findings and are clearly explained. For example, rather than simply suggest that the government should provide more jobs, candidates can recommend a specific policy or programme that the government could implement in order to achieve this goal.

General Comments

Teachers are advised to use the CXC criteria on page 29 of the Economics Syllabus for marking the SBA. SBA subheadings and format should correspond with this criterion. The grade allotted for each criteria and profile should be clearly indicated on each sample submitted.

Finally, it should be noted that it is not necessary for students to complete a college level literature review although a brief introduction is acceptable.

Paper 03/2 - Alternative Paper

Question 1

The question required candidates to:

- Define the terms 'perfect competition' and 'monopoly'
- State two characteristics of a perfectly competitive market and a monopoly
- Identify the equilibrium position and profit maximising points on given diagrams

In part (a) most candidates provided characteristics rather than a definition.

Part (b) was handled well, with many candidates correctly placing emphasis on one seller selling a unique product.

Part (c) and (d) were also handled well, with many candidates able to provide two characteristics and most at least one.

In part (e), most candidates were able to correctly indicate the equilibrium point in the first diagram but had difficulty with the second diagram.

Question 2

The question required candidates to:

- Outline two effects of an increase in taxes on a perfectly competitive firm

Many candidates incorrectly stated a price increase as a consequence without considering that the market structure was perfectly competitive. They could however have suggested that if the firm increased price it would suffer a loss in revenue as customers switch to other firms which sell perfect substitutes.

Question 3

The question required candidates to:

- Outline two effects of an increase in taxes on a perfectly competitive firm

The mean for this item was 30 per cent. Candidates confused the firm as a consumer with the firm itself.

Question 4

The question required candidates to:

- Calculate production costs, revenue and profit/loss
- Interpret the values and explain the relationship between average and marginal costs

Part (a) of the question was answered well with most candidates earning 4 to 6 marks. Part (b) on the other hand was poorly done with many candidates simply defining the terms rather than explaining the relationship between the two.

Question 5

The question required candidates to:

- Discuss two measures a government can take to limit the powers of a monopolist

Although some candidates were able to correctly identify correct measures, the discussions were not properly developed. Candidates discussed the potential benefits to the consumer but did not emphasize how the monopolist's power would be limited by this measure. Others incorrectly suggested giving subsidies or taxing the monopolist.

Recommendations

Teachers are encouraged to make use of both graphs and tables when teaching production costs. Attention should be paid to all aspects of the syllabus including measures which can limit the powers of monopolies. Candidates should place special emphasis on key terms in questions such as discuss and respond to questions appropriately.

The incorrect spelling of the word monopolistic was noted.