

UNIVERSITY OF MALTA

SECONDARY EDUCATION CERTIFICATE

SEC

ECONOMICS

MAY 2014

EXAMINERS' REPORT

**SEC Economics
May 2014 Session
Examiners' Report**

Part 1: STATISTICAL INFORMATION

Table 1 shows the distribution of grades for the May 2014 session of the examination.

GRADE	1	2	3	4	5	6	7	U	ABS	TOTAL
PAPER A	10	20	33	54	35	-	-	24	4	180
PAPER B	-	-	-	7	21	14	15	14	4	75
TOTAL	10	20	33	61	56	14	15	38	8	255
% OF TOTAL	3.9	7.8	12.9	23.9	22.0	5.5	5.9	14.9	3.1	100

Part 2: Comments regarding candidate's performance**2.1 GENERAL COMMENTS**

This paper provided candidates with an opportunity to demonstrate their understanding of basic economic concepts, theories and principles. Excellent answers were often supported by current examples, from the international as well as the national perspective.

Overall, it was noted that a number of candidates were unable to comprehend the examination questions. Candidates should work on improving examination technique through more question practice. Candidates are to ensure that all question requirements are tackled. One good technique that could be adopted is to split question into sub-headings so as to ensure they cover all areas. It was also evident that where graphs and sketches are concerned, a large number of candidates fail to provide clear diagrams, which have a correct scale and are properly labelled. In economics especially, the use of such diagrams further enhances their explanations. Furthermore, candidates are asked to pay close attention to the marks being allocated to the questions. More marks signify that a more detailed answer is required.

As has been the case in previous years, although the majority of candidates in both papers preferred to answer micro economics' questions, those who opted for the macro questions fared better.

Candidates are advised to use economic terminology where appropriate and refrain from using layman's language. As already stated, those candidates whose answers were excellent used the correct economic terms and often supported their explanations with diagrams.

The syllabus also includes a number of national and international institutions that need to be covered. It was evident that in general, candidates often lacked information about these entities. In view of this, teachers should emphasise the importance of these entities while teaching.

It is to be noted that, even if not specifically asked for in a question, all workings should be neatly presented in all data response answers. In some answers, no workings at all were presented. It is also noted particularly when tackling compression type data response questions, that economics' candidates often fail to read the text carefully, and respond to the questions generally rather than referring to the specific context.

2.2 Paper 1

The paper was made up of two sections, Section A – Micro Economics, and Section B – Macro Economics. Each section comprised three questions and candidates were expected to answer four questions. It was evident that most candidates chose to answer more micro questions than macro.

Section A – Micro Economics

Question 1

This question dealt with costs and the law of diminishing returns.

- a. Most candidates correctly explained the difference between fixed and variable costs, both in terms of the definitions provided and the examples given.
- b. However when it came to working out and plotting the average and marginal costs, a substantial number of candidates encountered some difficulties, particularly when working out the averages.
- c. Most of these seem to have a misconceived view of what an average means. Indeed, several of these same candidates even worked out the average of a '0' output, when an average cost represents a '*per unit*' cost. As a result, their plotted *average total cost* and *average variable cost* curves resulted in mistakenly rising average cost curves from an output of 0 to 1. Other candidates simply plotted the '*total*' costs. Furthermore, when it came to working out and plotting the *average fixed costs*, a number of candidates stated that 'given that fixed costs do not change with output', then the *average fixed cost* must also be a constant! This further attests to candidates' failure to understand the mathematical meaning of an average. As regards marginal costs, most candidates correctly interpreted and explained the concept of marginal cost as a '*change*' in total costs when output is increasing. However, not all of these candidates correctly plotted the marginal cost variables in '*between*' the quantity variables. This is important, given that the *margin* represents change. Answers to this part of the question closely reflected the responses to the previous question, with those candidates who failed to clearly interpret an average cost as distinct from a total cost, also failing to note that while the AFC slopes downwards given that fixed costs are being spread over an increasing output, the MC, AVC and ATC are however, U-shaped and this is due to the law of diminishing marginal returns.
- d. Most candidates satisfactorily defined the law of diminishing marginal returns, with those candidates who also answered sub-question 'c' correctly, getting full marks.
- e. Most candidates correctly answered this question, with most of them also noting that the law of diminishing marginal returns only functions when at least one of the factors of production is fixed, that is in the short run; while firms operating in the long run may encounter economies or diseconomies of scale.

Question 2

This question covered production sectors.

- a. While most of the responses to this question were generally quite generic, pointing out the use of surveys or NSO data as possible sources of data regarding the decline of the primary and secondary sectors of industry in Malta, a substantial number of candidates went into more detail and referred to GDP data and employment figures as reliable sources of information.
- b. Most candidates received high marks for this question as almost all of the candidates presented well defined explanations of the primary, secondary and tertiary sectors.
- c. Unfortunately, a large number of candidates deflected their answers to this question from the theme of production to consumption. While responses should have focused mainly on private and public investment, along with educational and technological development as a means of attaining economic growth in the tertiary sector, most responses merely focused on the expansion of retailing and the consumption of goods and services as the main source of growth for the tertiary sector.
- d. As in the case of sub-question 'c', most candidates once again focused on demand and consumption as an indicator of increased wealth. While this is a valid observation, it has to be stressed that wealth is itself generated from production and the contribution of the tertiary sector is important because it enhances wealth generation through its high 'value added' output when compared to the other sectors of industry. Candidates who outlined this concept, even by use of examples, received full marks.
- e. This question was aimed at eliciting candidates' knowledge of Malta's industrialisation process and how the decline in agriculture and manufacturing, particularly in the clothing industry, has given way to 'higher value' employment such as tourism, commerce and financial services.

Question 3

This question covered market forces.

- a. In general the theoretical definitions of '*demand*' and '*supply*', as well as the explanation of what constitutes a '*market*' were presented well.
- b. While the question seems to have been well understood and candidates were well aware of what was expected of them, most of the responses simply listed general factors that determine demand and supply, such as: price, income, availability and price of substitutes and compliments, taxation and so on, without any specific reference to '*grain*' as described in the text. Only a few candidates noted for example, that grain is a commodity product that includes several types of food stuffs such as wheat, corn, soybeans, rice, and so on. Even fewer candidates noted the importance of '*market expectations*' as a determinant of both demand and supply, even though this was referred to in the text.

But of critical importance, from a theoretical point of view, was the fundamental mistake made by a substantial number of candidates to mix up the demand and supply functions. They stated for example, that "demand by consumers depends on the supply of grain". What they really meant is that the extent of demand and supply effects the market price of grain and it is the '*market price*'

that should be considered as the independent factor that determines demand on one hand and supply on the other. It was encouraging to note, however, that a good number of candidates explained this well, even with the use of diagrams.

- c. Candidates here were expected to explain the laws of demand and supply, and most candidates explained these well, even with the use of good diagrams.
- d. This sub-question too was also generally well answered.
- e. Candidates were expected to explain at least two factors that induce the demand for and the supply of grain, to be price inelastic. Good responses focused on grain as a basic necessity and the lack of substitute products as determinants of price inelasticity of demand, and to weather conditions and to the time factor as determinants of price inelasticity of supply

Section B – Macro Economics

Question 4

This question dealt with the money supply.

- a. Most candidates successfully answered this question giving a good description of the specific functions of money.
- b. This question too was generally well answered, although a substantial number of candidates failed to include, along with notes and coins, other financial assets such as demand deposits in the money supply.
- c. Most candidates were well aware of the fact that governments issue bonds in order to finance their budget deficits or to raise capital for the financing of public projects. But not all candidates were aware that the issuing of bonds, and hence the reduction of the money supply in circulation, is also an important tool of monetary policy. Full marks were given to candidates who explained the economic effects of such a policy, effects such as the rise in interest rates. Hence through this monetary tool, demand-pull inflation may be controlled.
- d. Candidates who successfully answered sub-question 'c' also answered this question correctly. Most of these presented a good description of how the issuing of government bonds leads to a reduction of cash in circulation and bank deposits. This leads to a reduction in the money supply, and eventually interest rates increase, lowering demand and market prices.
- e. Candidates receiving full marks for this question focused on the stock issue effect on commercial banks. With bank deposits falling, commercial banks are forced to compete with the government for funds. They do this by raising their interest rates. Loans to households and to business enterprises therefore become more expensive as interests rates on loans are forced upwards too, lowering even further the money supply.

Question 5

This question covered components of the balance of payments.

- a. Most candidates adequately distinguished 'visible' from 'invisible' trade even through the use of examples.
- b. This question too was generally well answered, although in a number of cases the formula through which the current account is calculated was not included in the answer and, in some cases, nor was the working shown. Simply giving the final balance in the current account for the two quarters was not sufficient. As in the case question 1, it is important that all workings should be neatly presented, even if not specifically asked for in the question.
- c. Most answers to this question were adequately tackled and in most cases, it was correctly noted that in the second quarter invisible trade increased substantially, while visible imports decreased. It was also noted that the decrease in visible imports was marginally greater than the decrease in visible exports. Some even attributed the increase in invisible trade to an improvement in the inflow of tourists, given that tourism is one of Malta's main export industries.
- d. Given Malta's heavy reliance on imports, the island's recurring deficit in visible trade was also, in most cases, adequately explained. So too was the current account surplus, with most candidates citing the importance of export income from tourism, financial services, information and computer technology as well as transportation and transshipment services.
- e. This question too was successfully answered by most of the candidates choosing to answer question 5. Given the appreciation in the value of the Euro when compared to other currencies such as the British Pound Sterling, Malta's exports become more expensive and its imports cheaper. As a result, the trade deficit deteriorates and the balance of payments worsens. A few candidates even referred to the importance of import and export price elasticities in determining the extent of the effect of the Euro's value on the balance of payments.

Question 6

This question covered employment.

- a. Most candidates correctly defined the term 'working population' although a substantial number incorrectly limited the definition to those people who are only actively at work.
- b. Most answers to this question were limited to financial incentives such as tax discounts or higher wages for women! Measures such the setting up of more childcare centres and the introduction of flexible work schedules were also widely recommended. However few candidates discussed this topic at greater depth by including cultural aspects and educational issues related to the problem of low Maltese female labour participation.
- c. While question 6 turned out to be very popular with candidates, answers to this specific question proved to be highly disappointing. This is because most of these answers were based on the candidates' own personal perceptions rather than on rational economic theory. Indeed, a large number of candidates failed to distinguish between the factors that

determine demand for labour, as specified in the question, and factors that determine supply for labour. Moreover, few were the candidates who correctly associated the '*derived*' demand for labour with consumers' demand for a firm's output of goods or services. Many associated demand for labour with people's willingness to seek employment, hence labour supply. As a result they incorrectly described labour demand as having a positive relationship with wage rates.

- d. This question was generally well answered, with increasing wage rates and improving working conditions being considered as the main aims of trade unions. However, a substantial number of candidates chose to include factors such as "increasing employment levels", "helping members to seek employment", "educating and training workers", "setting the minimum wage" or even "helping the government to improve international trade"! Such responses based on mistaken personal perceptions, are quite disappointing and they reflect a significant lack of knowledge about the roles of important local and international institutions.
- e. Unfortunately, most of the candidates answering this question failed to focus on the key word in the question, namely: "*How* do trade unions influence wage rates and employment levels?" Hence, most candidates limited themselves to repeating or extending the arguments they used in answering question d. Those who successfully answered this question explained that trade unions may influence wage rates and employment levels by striving to influence an increase in labour demand or restricting the supply of labour through such means as the negotiation of agreements that would include '*single union*' as well as '*closed shop*' clauses. Agreements about improving labour productivity would shift the demand for labour outwards, thus increasing both the demand for labour and wage rates. Some candidates went on to explain the tools or methods used by trade unions in order to achieve their objectives. For example, in the case of a failure to reach an agreement, trade union have the power to make use of such tools as '*work-to-rule*' and '*strikes*' in order to exert pressure on employers. A few candidates also focused on the theoretical implications of trade union pressure, namely the creation of a labour surplus and hence the creation of unemployment.

2.3 Paper 2A

Paper 2A consists of eight questions spread over two sections. Questions in Section A relate to the microeconomic field, while questions in Section B relate to macroeconomics. Candidates had to choose four questions from the eight available, with at least one question from each section. As in previous editions of the paper, candidates generally preferred to opt for three questions from the micro section. It should be noted that candidates performed better within question relating to section A which indicates that several macroeconomic concepts were not clearly understood by the candidates.

Section A – Micro Economics

Question 1

This dealt with the concepts of specialisation, division of labour and diversification.

- a. Many candidates correctly explained these concepts and obtained full marks.
- b. The advantages and disadvantages of specialisation to firms, workers and the national economy were correctly listed by the majority of the candidates.

- c. The answers to the third sub-question, on how specialisation helped the Maltese economy to develop, were poorly answered. Candidates seemed to have limited knowledge on the areas of specialisation of the local economy and those areas which are key contributors to the island's GDP. While important, agriculture is definitely not the main reasons why our economy has developed in the last decades. Some candidates were under the wrong impression that our economy is based on the cultivation of potatoes!
- d. Likewise, a number of candidates knew what diversification was about, but could not link this concept to small island economies. In very rare cases, diversification was confused with diversity, leading to some strange answers.

Question 2

This discussed methods of firm development, including integration.

- a. Specific focus was devoted to mergers within the context of a real life scenario involving Microsoft and Nokia. There were unfortunately few correct answers explaining why the European Commission gets involved when ruling in favour or against mergers and acquisition. Some were under the impression the Commission would get involved to make sure the companies involved earn higher profits, ignoring completely the consumer!
- b. A few excellent answers demonstrated that candidates were up-to-date with current affairs. Candidates are increasingly expected to use the background being provided in these scenarios to link to the question requirements.
- c. Generally, this question was well answered.
- d. However, there were some confusion between modes of growth and financing options – a firm can borrow from the bank or via the stock market for any type of growth, be it horizontal or vertical integration.

Question 3

The two extreme market structures of perfect competition and monopolies were discussed in this question.

- a. While answers were generally satisfactory, there were still a number of candidates who confused the characteristics of perfect competition with those of a monopoly – this seems a basic concept in micro economics.
- b. Few candidates referred to productive and allocative efficiency in explaining why society would benefit from a perfectly competitive market.
- c. In general, most candidates gave a good definition of monopolies and were able to explain how monopolies can be created.
- d. Only a few candidates were able to give a good account of benefits derived from the existence of monopolies. It was surprising to see that most candidates thought monopolies were outright bad and there were no benefits linked to their existence.

Question 4

In the last Section A question, Question 4, discussion focused on location of industry, with specific focus on the local economy.

- a. Many candidates missed the main point in the first sub-question, ignoring Malta's tax regime as a major reason for attracting multinational firms. Others seemed to confuse multinationals with shops and retail businesses (which are generally run by Maltese), thus suggesting that multinationals set up here because of the large number of tourists. Even more surprisingly was the common belief that foreign companies set up in Malta to merely sell locally – with a market of about 400,000 inhabitants, this is surely a disincentive to set up in Malta, not an incentive!
- b. While most candidates generally gave a correct answer for this question, others confused determinants of location of local businesses with foreign businesses.
- c. The sub-question on MEPA was also poorly answered, mainly due to the confusion with Malta Enterprise/ Malta Industrial Parks in terms of finding industrial space and managing Malta's industrial policy.
- d. The last sub-question on geographical and occupational labour mobility was also poorly answered, especially given it is relatively straight forward.

Section B – Macro Economics

Question 5

This tested the candidates on their level of knowledge relating to different types of taxes, on their aims and ultimately on their resulting impact on the economy.

- a. Although most candidates did explain appropriately what a proportional tax is, the explanation provided for progressive taxation in most cases was weak with several candidates failing to point out the key feature of progressive taxation which is that as an individual's (or household's) level of income increases a higher tax rate (in percentage terms) is applied.
- b. With respect to the second part of the question unfortunately a large proportion of candidates seemed to confuse the aims of taxation, which is what the question asked for, with the properties of an optimal tax which led to a large number of candidates not performing well within that sub-section.
- c. The answers to the third part of the question were overall very satisfactory with most candidates understanding and correctly explaining the positive link between lower taxes and higher employment levels.
- d. The candidates performed very poorly in the last section, a large proportion of the candidates answered the question in the context of investment relating to financial investment which is not the correct definition of investment within macroeconomics. In this case investment related to the expenditure on capital goods undertaken by firms.

Question 6

This question was designed to test the candidate's knowledge on monetary policy, the causes of inflation, the policies to tackle inflation, as well as assess the candidates understanding of the link between exchange rates and domestic inflation.

- a. Although the overwhelming majority of the candidates did provide a good explanation of what is monetary policy, very few noted that monetary policy is also a very important tool which can also be utilized to influence a country's exchange rate.
- b. Candidates fared particularly well within part 'b' with most clearly understanding the link between higher interest rates and lower economic activity, although it should be noted that several candidates left out the main reason why the economy slows down, which is that higher interest rates lower investment levels by firms.
- c. Within the third part of the question candidates were meant to explain how a weaker euro would cause imported inflation, which is ultimately the most likely scenario. However some candidates discussed the fact that a weaker euro increases exports causing demand pull inflation, which although possible, however they still ignored the fact that this would still require the use of higher number imported inputs (for production purposes) which would inevitably still lead to imported inflation.
- d. With respect to the final part of the question the large majority of candidates did understand that higher inflation does cause a lower purchasing power, however an overwhelming majority suggested that savings should fall which is not the case (saving earns interest) and once again several candidates confused investment (by firms) with financial investment. The last part is thus where the candidates significantly underperformed.

Question 7

Question 7 was the least popular question for section B. The question tested the candidate's knowledge on the causes and consequences of unemployment and on possible policy remedies which can be implemented to mitigate unemployment.

- a. The answers by numerous candidates to both part 'a' and especially part 'b' did lack the level of understanding required at this level. Several candidates were not able to make the distinction between the impact of a demand side policy, and the impact of a supply side policy, often confusing the two.
- b. Also several candidates within part 'a' and/or part 'b' rather than answering the question replied by discussing the different types of unemployment which is not what the question specified.
- c. The third part of the question is where the candidates significantly underperformed with only a handful of candidates providing the correct diagram depicting labour supply and labour demand which also incorporated the appropriate discussion on how the wage rate affects the level of unemployment.
- d. Within the final part of the question several candidates focused their answer on what could be the consequences of high unemployment, rather than, as the question specified, what are the consequences on the economy of high unemployment.

Question 8

This discussed issues relating to demography. Although the most popular question within section B it is also the question which on average the candidates mostly underperformed.

- a. Generally the candidates understood what a population pyramid is although very few did specify that it is also possible to infer the gender ratios per age group from it.
- b. The answer to the second part of the question was in general very good, with the majority of candidate's indeed identifying a number of key factors. Most candidates noted high infant mortality rates, but very few noted religious and cultural reasons.
- c. The last two sections are where most candidates struggled. To begin with, several candidates confused the answers between the two sections with some repeating their answer for part 'c' within part 'd' and vice-versa. Within part 'c' very few made use of the concept of opportunity cost within their discussions and even fewer noted the fact these higher costs can lead to higher national debt accumulation. The answers provided for part 'c' were overall of a low standard.
- d. The answers to part 'd' were on average also very weak. It should further be noted that although several candidates did attempt to discuss at least three problems more often than not the discussion was either out of point or not detailed enough to attain the full marks allocated for this sub section.

2.4 Paper 2B

Paper 2B consisted of eight questions spread over two sections. Questions in Section A related to the microeconomic field, while questions in Section B related to macroeconomics. Candidates had to choose four questions from the eight available, with at least one question from each section. As in previous editions of the paper, candidates generally preferred to opt for three questions from the first section.

Section A – Micro Economics

Question 1

This discussed methods of firm development, including organic growth, mergers and other forms of integration. Specific focus was devoted to mergers within the context of a real life scenario involving Microsoft and Nokia.

- a. In general most candidates gave a correct definition for merger and were able to give good reasons as to why companies merge.
- b. While most candidates were able to distinguish correctly between vertical and horizontal integration, a number of candidates could not explain lateral integration.
- c. This question was generally well answered.
- d. There were unfortunately few correct answers explaining why the European Commission gets involved when ruling in favour or against mergers and acquisition. Some were under the impression the Commission would get involved to make sure the companies involved earn higher profits, ignoring completely the need for consumer protection. Candidates are increasingly expected to use the background being provided in these scenarios to link to the question requirements. In terms of integration, there were some confusion between modes of growth and financing options – a firm can borrow from the bank or via the stock market for any type of growth, be it horizontal, lateral or vertical integration.

Question 2

In question 2, the two extreme market structures of perfect competition and monopolies were discussed.

- a. There were various candidates that confused the characteristics of perfect competition with those of a monopoly – this seems a basic concept in micro economics.
- b. Those who answered the first part of this question correctly gave good answers to this part of the question.
- c. Additionally, few referred to productive and allocative efficiency in explaining why society would benefit from a perfectly competitive market.
- d. This reflects the examiners' comments in part 'a' of this question.

Question 3

Question 3 related to location of industry and employment, with specific focus on the local economy.

- a. Many candidates missed the main point in the first sub-question, ignoring Malta's tax regime as a major reason for attracting multinational firms. Others seemed to confuse multinationals with shops and retail businesses (which are generally run by Maltese), thus suggesting that multinationals set up here because of the large number of tourists. Even more surprisingly was the common belief that foreign companies set up in Malta to merely sell to such a small local market.
- b. The sub-question on the choice of Marsa as Malta's first industrial estate was generally well answered.
- c. In general, the terms geographical and occupational mobility of labour were poorly explained by various candidates.
- d. The answers to question 'c' in this question reflected the answers in this part of the question, where candidates demonstrated a weak understanding of the importance of geographical and occupational mobility to the Maltese labour force.

Question 4

This question dealt with a production possibility boundary and the concepts of specialisation and division of labour.

- a. Many candidates correctly answered the parts on the boundary, leading to the highest average mark from all Section A questions.
- b. Both parts of this sub-question were well answered.
- c. Division of labour was well explained by the majority of the candidates, and most were able to list correct advantages and disadvantages.
- d. Unfortunately, the same cannot be said for the last sub-question on three specialised sectors of employment in Malta. Candidates again seemed to have limited knowledge on the areas of specialisation of the local economy and those areas which are key contributors to the island's GDP.

Section B – Macro Economics

Question 5

This presented the candidates with questions aimed at testing their knowledge on different types of taxes and on their level of understanding relating to the functions of government.

- a. On average most candidates performed well in this part of the question.
- b. Several candidates seemed to get confused between part 'b' and part 'c' of this question. The focus in this part had to reflect the candidates' knowledge of how government expenditure affects living standards.
- c. A large number of answers for this part of the question were weak. Candidates' answers should have included the influence on aggregate demand and to discourage the consumption of certain commodities. It should further be noted that candidate's explanations could have benefited by providing specific examples.
- d. The answers to part 'd' were particularly lacking in detail and in several instances candidates displayed a lack of understanding of what an income tax actually is and even interpreted the question wrongly by discussing how a decrease in income tax revenue affects government expenditure and not how higher income taxes lowers household consumption expenditure. Nonetheless the candidates attempting this question attained the highest average mark from all Section B questions.

Question 6

This discussed issues relating to inflation, the causes of inflation and the implementation of policies aimed at controlling inflation. The performance of this question by the candidates was on average extremely weak such that the candidates attempting this question attained the lowest average mark from all of the Section B questions.

- a. Candidates performed best in this sub-question, although surprisingly, only a few candidates did mention that inflation lowers the consumer's purchasing power within their answer.
- b. Within the second sub section most candidates knew what demand pull inflation was but did not clearly understand cost pull inflation.
- c. The failure of an overwhelming majority of the candidates to correctly responded to part 'c', which several candidates attained zero marks in, indicates that more work needs to be undertaken by candidates to comprehend the implications of inflation.
- d. The final sub section is where the candidates on average performed worse. A response which was presented by several candidates is that to tackle inflation there should be an increase in income, which raises demand, generating more profits for firms which can then decrease their prices. This explanation is clearly not what the question asked for and displays a clear lack of understanding of the behaviour and dynamics of the economy.

Question 7

Question 7 focuses on the types, causes and consequences of unemployment.

- a. Although the first subsection was straightforward, this is where the candidates performed worse on average, the main reason being that although many knew what general (or demand deficient) unemployment the explanations for structural and frictional unemployment were weak.
- b. Many candidates answered correctly the next subsection although most answers lacked detail within their explanations. Also several candidates replied that unemployment can be beneficial because it frees individuals with time to take up hobbies, which is clearly not what the question was asking for.
- c. Part 'c' is where the candidates performed best with many displaying sound knowledge of the vast array of policies that the government can undertake to attempt to reduce unemployment.
- d. The responses to the final subsection showed that although the majority of candidates do know what are the economic advantages of a fall in unemployment once again the explanations presented were very weak and not detailed enough. For example, simply stating that the standard of living should rise is not enough to attain full marks, an explanation as to the interaction of how lower unemployment eventually leads to a higher standard of living would be required.

Question 8

Question 8 discussed issues relating to demography and was the most popular question within section B.

- a. The first subsection is where the candidates on average performed worse, the reason for this is that a significant amount of candidates answered the question within the context of 'illegal immigration' rather than general immigration and thus failed to note issues such as labour mobility within the European Union. Rather the majority of candidates simply discussed the perceived negative impact that illegal immigration is expected to have on the Maltese economy with some replies bordering on the xenophobic.
- b. Several candidates confused the answers of part 'b' with that of part 'd' and vice versa, part 'b' asked the candidates a question in which they should explain what facts affect the size of the general population, whilst part 'd' asks to explain what factors have contributed to an increase in Malta's ageing population.
- c. Subsection 'c' is where the candidates performed best and displayed a good understanding of what is meant by an ageing population. Most candidates even discussed the question utilizing the correct ratios and presenting the correct definitions.
- d. As in sub-question 'b', many candidates confused answers to part 'b' with part 'd'. This part of the question dealt with factors that have contributed to an increase in Malta's *ageing* population. Possible answers could have included improved medical and health awareness, more women opting to focus on careers and improvements in living standards.