L-Università ta' Malta

MATSEC
Examinations Board

Examiners' Report

SEC Economics

Main Session 2024

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A. STATISTICAL INFORMATION

The total number of candidates who registered to sit for SEC Economics was **250**, which is **5** candidates more than in 2023. Of these registrations, **186** opted for Paper IIA and **64** opted for Paper IIB.

Table 1 shows the distribution of grades of the examination for the Main Session 2024.

GRADE	1	2	3	4	5	6	7	U	ABS	TOTAL
PAPER A	15	32	39	35	18	-	-	42	5	186
PAPER B	-	-	-	8	6	10	7	21	12	64
TOTAL	15	32	39	43	24	10	7	63	17	250
% OF TOTAL	6.0	12.8	15.6	17.2	9.6	4.0	2.8	25.2	6.8	100.0

Table 1: Distribution of grades for SEC Economics, Main Session 2024

B. GENERAL REMARKS

General Remarks on the Written Examination

Both paper I and paper II saw an even spread of the topics being examined as shown in table 2:

	Syllabus Topic	Paper I	Paper IIA	Paper IIB
1	The nature of the economic problem and economic systems	Q1		
2	Production and Costs	Q3		
3	Forms of enterprise and scale of production			
4	Industrial location		Q4	Q4
5	Price mechanism	Q2		
5.2	Elasticity		Q1	Q1
6	Market structures		Q3	Q3
7	Theory of Distribution		Q2	Q2
8	National Income Analysis		Q6	Q6
9	Money and financial institutions	Q6		
10	Government Revenue and Expenditure	Q4		
11	Inflation and unemployment		Q7	Q7
12	Economic Development and Growth		Q8	Q8
13	International Trade / Globalisation		Q5	Q5
14	Demography	Q5		

Table 2

Table 3 below summarises the candidates option choices.
In Paper I, candidates opted for the following choice of questions:

PAPER I	SECTION A			SECTION B		
QUESTION NUMBER	1	2	3	4	5	6
NO. OF CANDIDATES	210	155	132	82	184	164
% OF TOTAL	84%	62%	53%	33%	74%	66%

Table 3

In this paper, candidates had to answer 4 questions. Micro Economics questions were more popular amongst the majority of candidates, with the most popular topics being question 1 (the economic problem) and question 5 (demography).

In Paper IIA, candidates opted for the following questions shown in table 4:

PAPER IIA	SECTION A				SECTION B			
QUESTION NO	1	2	3	4	5	6	7	8
NO. OF CANDIDATES	101	71	114	88	75	58	163	42
% OF TOTAL	54%	38%	61%	47%	40%	31%	88%	23%

Table 4

In Paper IIB, candidates opted for the following questions shown in table 5:

PAPER IIB	SECTION A				SECTION B			
QUESTION NO	1	2	3	4	5	6	7	8
NO. OF CANDIDATES	26	31	26	26	19	14	43	11
% OF TOTAL	41%	48%	41%	41%	30%	22%	67%	17%

Table 5

The absence of relevant economic terminology in many responses highlights a significant gap in candidates' application of the subject. Additionally, poorly structured answers often made it challenging for examiners to follow the logic and reasoning presented. Another concerning pattern is the tendency of candidates to leave parts of questions unanswered, likely due to difficulties in comprehension. Many candidates also struggled to meet the specific demands of the questions, frequently opting to list points rather than providing the required discussion or explanation, which compromised the overall quality of their answers. This has also been noted in previous sessions. Emphases should be made on understand the meaning of directive verbs, such as, 'list', 'explain', 'evaluate' and 'discuss', as well as the specific expectations for responses when these terms are used in questions.

While candidates generally demonstrated a solid understanding of basic concepts across all areas of assessment in this paper, they often struggled with interpreting their calculations, lacked detailed explanations and application of theoretical concepts to practical scenarios. This performance gap may be due to a lack of in-depth analysis and the ability to connect abstract concepts with real-world examples. Many candidates provided correct answers to straightforward questions but lacked the nuanced understanding needed for more complex questions, suggesting a need for improved comprehension of how

economic principles apply in practical contexts. Enhanced focus on elaboration and practical application in responses would likely address these issues.

C. COMMENTS ON PAPER I AND PAPER II

PAPER I

Question 1

The average mark for this question was 14/25 for paper A candidates and 9/25 for paper B candidates. This was the most popular question among candidates of both papers.

This question focused on opportunity cost and production possibilities. Most candidates correctly defined opportunity cost in part (A) but some gave vague definitions such as opportunity cost is the 'benefit of choosing to produce something else'. Part (B) was generally well-answered, with correct plotting of the PPC curve including the correct labelling. In part (C), many candidates successfully calculated the opportunity cost of producing 80 more healthcare units. However, in part (D), candidates struggled with identifying valid factors for an outward shift of the PPC, offering irrelevant reasons like 'worker absence' or 'hygiene issues'. Those who provided valid factors did not provide an in-depth explanation for each factor. For part (E), most candidates incorrectly assumed that 50 more military units could be produced without considering the PPC limits. Finally, part (F) was often misunderstood, with many candidates incorrectly predicting an outward shift due to war, when war typically leads to a contraction of the PPC due to resource destruction.

Question 2

The average mark for this question was 16/25 for paper A candidates and 10/25 for paper B candidates.

The question focused on the basic concepts of the price mechanism, exploring effective demand, the law of demand, and equilibrium analysis. In part (A), the definition of effective demand was mostly correct, although some candidates stated incorrectly 'when the demand gets effected because it was not calculated well' or simply stating the law of demand. In general, part (B) was well answered, with most candidates showing proper calculations for the quantity demanded for flour. However, in part (C), many did not mention *ceteris paribus*, an important assumption when discussing the law of demand. This led to incomplete explanations about whether the data followed the law of demand. Plotting the demand and supply curves in part (D) was generally well-executed, though some candidates made errors by mixing up the axes. In part (E), most candidates correctly identified the equilibrium price and quantity, but some only provided the equilibrium price. The biggest challenge was in part (F), where candidates often stated whether the equilibrium quantity would increase or decrease without fully explaining why. More detailed explanations on the shifts in demand or supply due to factors like increased shipping fees, removed subsidies, lower local producer prices, and salary increases were required.

Question 3

The average mark for this question was 16/25 for paper A candidates and 10/25 for paper B candidates.

Most candidates were able to correctly define variable costs as costs that fluctuate with the level of output as required in part (A). A clear definition included '*those variable costs, such as raw materials or labour, that increase as production rises and decrease as production falls*'. The majority of candidates successfully completed the table in question (B), by calculating the total cost (TC) as the sum of variable costs (VC) and

fixed costs (FC). However, a few candidates neglected to carry over the fixed cost for every output level, forgetting that fixed costs remain constant regardless of output. Part (C) required candidates to calculate the marginal cost (MC) and average cost (AC) at each level of output. Most were able to compute these accurately. Their calculations generally reflected a good understanding of cost behaviour, though some candidates did not show their working steps clearly. However, when it came to plotting the MC and AC curves as required in part (D), while most candidates plotted the AC curve correctly, many struggled with the MC curve. A common mistake was plotting MC at output points rather than at midpoints between output levels, as required by its definition (since MC reflects the cost of producing the next unit). Inaccurate plotting and labelling of axes also caused some candidates to lose marks. In part (E), many candidates did not accurately identify the output level corresponding to productive efficiency, which is achieved at the lowest point of the AC curve. Additionally, a significant number of candidates misunderstood the concept of diminishing marginal returns, not mentioning that it begins when the MC curve starts to rise, typically after 20–30 jeans are produced. A more precise answer would reference that diminishing returns set in when each additional unit of input results in a smaller increase in output. Part (F) required candidates to assess the implications of introducing Artificial Intelligence (AI) on variable costs. Most did not adequately explain the cost implications of replacing labour with AI. While AI would lower long-term variable costs (as fewer workers are needed), it increases fixed costs upfront due to the investment in technology. The decision to automate usually reflects a desire to reduce recurring labour costs and increase production efficiency over time. Stronger responses should have included both short-term and long-term cost impacts of such a shift.

Question 4

The average mark for this question was 17/25 for paper A candidates and 11/25 for paper B candidates. This was the question least attempted by both sets of candidates.

Most candidates correctly identified three sources of tax revenue, such as income tax, corporate tax, and VAT, along with two non-tax revenue sources, such as government bonds and profits from state-owned enterprises as required in part (A). Part (B) required candidates to list and explain two sets of principles that are considered important when designing and implementing an ideal tax system. Most correctly listed principles such as equity, efficiency, simplicity, or certainty. However, many fell short in providing detailed explanations. A full answer should have included how equity ensures fair tax burdens across income groups and how simplicity aids taxpayer compliance and reduces administrative costs. Candidates generally gave correct indication of the type of tax showing that they had a good understanding of the different tax percentages, although some struggled with the basic computations in part (C). Many answered part (D) well, effectively explaining that increased government revenue allowed for greater spending on public services like healthcare and infrastructure, potentially boosting economic growth by improving productivity and stimulating demand. Part (E) proved to be rather challenging for all candidates. A correct explanation required candidates to recognize that if GDP grew at the same rate as tax revenues, the ratio remained stable. Many candidates missed this key arithmetic relationship. Candidates generally were able to relate the positive relationship between the increase in inbound tourism and strong employment growth to tax revenue (part F), noting that more inbound tourists lead to higher consumption taxes (VAT), while strong employment growth boosts income tax revenues due to more people earning wages.

Question 5

The average mark for this question was 14/25 for paper A candidates and 9/25 for paper B candidates. This was the second most popular question.

This question tested candidates' understanding of demographic changes resulting from conflict, as well as their ability to interpret population data and provide informed policy suggestions. Overall, performance varied, with candidates performing well on basic concepts but struggling with more detailed explanations and interpretations. The majority were able to explain the impact of war on birth rates, death rates and the natural growth rate, though some candidates confused immigration with emigration. Correct responses should have noted that emigration would increase as people flee the country, while immigration may decrease. Part (B) tested candidates' knowledge on population pyramids. Most correctly identified the two elements (age distribution and gender distribution) shown by a population pyramid. While many candidates correctly concluded that Novaterra is a less developed country, some struggled to provide strong reasoning. A full answer should have stated characteristics such as a wide base indicating high birth rates and a narrow top suggesting shorter life expectancy. Part (C) was the most challenging part of this question. Most candidates struggled to explain how a prolonged conflict would reshape the population pyramid. A good answer would involve drawing a narrower base due to low birth rates, a bulge in the older age groups due to surviving adults, and a high death toll among younger age groups due to the conflict. Many did not specify how war would disproportionately affect certain age groups. This also affected the drawing of the new population pyramid reflecting these effects. The majority also demonstrated a sound understanding of other ways by which the population may be distributed (Part D), citing other forms of distribution like geographic distribution (urban vs. rural populations) and economic distribution (working vs. non-working populations). In part (E), while many candidates understood that the dependency ratio would likely increase, some struggled to explain why. The conflict would lead to a higher proportion of non-working dependents (e.g., elderly and children), as the working-age population may be disproportionately affected by death or emigration. Most candidates were able to state possible government policy to address the demographic changes, however few could discuss these in depth. Some excellent answers included financial incentives for families to have more children, while migration incentives could involve simplifying visa processes to attract skilled workers. An excellent answer discussed the effectiveness and potential challenges of each policy in the context of ongoing conflict and demographic changes.

Question 6

The average mark for this question was 18/25 for paper A candidates and 11/25 for paper B candidates.

This question assessed candidates' understanding of money's role, characteristics, and functions in an economy, as well as the limitations of a barter system. While many candidates answered basic questions correctly, they often struggled with detailed explanations and differentiating between money's characteristics and functions.

Parts (A) and (B) were answered correctly by most candidates who chose this question, with many correctly identifying money as the medium of exchange in a traditional monetary system, as well as naming banks as the financial institution in part A (ii). In part (B), the majority proposed feasible barter exchanges, such as Sarah trading pottery for vegetables with Mark. However, some answers were too simplistic and did not consider the full range of needs and wants between the parties involved. Many found difficulties in

explaining two situations where the exchanges in part B(i) could not take place. While most identified potential issues like the double coincidence of wants and indivisibility of goods, detailed explanations were often missing. For example, candidates could elaborate on how if Mark doesn't need pottery, Sarah cannot make a trade, or how some goods cannot be divided into smaller units for exchange. Similarly, parts (C) and (D) were in general answered correctly but lacked the explanation and elaboration required to get full marks. A more robust response would describe how money simplified transactions by eliminating the need for a double coincidence of wants and allowed for the storage of value over time. Part (E) required a description of two characteristics of money. Candidates identified characteristics such as portability and divisibility. While these were correct, some answers lacked specific relevance to the village scenario. For instance, portability is essential for easy transaction, and divisibility allows for transactions of varying sizes. When it came to part (F), most candidates listed correct functions, though a number of candidates confused functions with characteristics. Nevertheless, most of those candidates who listed correct functions did not demonstrate how these functions specifically facilitated transactions within the village.

PAPER IIA

Question 1

The average mark for this question was 14/25.

Most candidates correctly defined the income elasticity of demand in part (A). However, a few mistakenly defined price elasticity of demand instead. Regarding the formula, while most candidates provided the correct answer, some incorrectly swapped the numerator and denominator. In part B (ii), the majority of answers were accurate. Candidates correctly explained the concepts of normal and inferior goods, as well as necessities and luxury goods. Similarly, most candidates provided correct definitions for cross elasticity of demand (CED). However, their interpretations in part D (iii) were largely incorrect, with many candidates confusing complementary goods with substitutes. Despite this, the answers for part (iv) were generally accurate, with most candidates giving correct reasons for why knowledge of CED is useful.

Question 2

The average mark for this question was 13/25.

In part (A), most candidates provided adequate definitions for labour demand and supply, though some offered incomplete definitions, mentioning only that they are demand or supply at a specific wage without referencing a particular period of time. Additionally, many candidates successfully described the determination of wage rates for a specific job, often including diagrams to support their explanations, however a number of candidates incorrectly referred to the backward bending supply curve.

Most candidates were able to illustrate the shifts in labour demand caused by the introduction of AI. Additionally, candidates were able to discuss the role of trade unions. However, when addressing the influence on labour and wage rates, most candidates focused primarily on the demand for labour, often overlooking the supply side and the resulting impact on unemployment. Overall, the answers tended to emphasize an increase in labour demand, falling short of the depth and detail expected. An excellent answer referred to how *unions restricted supply through strikes or sit-ins, thus putting pressure on employers to increase wage rage and improve working conditions* and also provided a correct diagram to illustrate the inward shift in supply of labour.

Question 3

The average mark for this question was 14/25 and was the second most popular question among paper A candidates.

Overall, while candidates generally demonstrated a solid understanding of market structures, several issues emerged. For example, in part (B), many correctly discussed Malta Dairy Products' market dominance and the essential nature of milk, but responses were often brief. In part (C), some candidates misunderstood the question, discussing why governments are against monopolies rather than exploring potential reasons for government support. In part (D), confusion between privatization and becoming a public limited liability company was evident, with some candidates listing advantages and disadvantages without detailed explanation. These issues suggest a need for better interpretation of questions and more comprehensive responses on market structures and related concepts.

Question 4

The average mark for this question was 18/25 which was the highest scoring average in Paper IIA.

Surprisingly, a notable number or responses did not know what SME stands for, although this was an improvement compared to Paper IIB, where most candidates got question 4a) i) wrong. Few were able to refer to the criteria by which a size of the firm is measured, Most candidates provided correct answers regarding sources of finance, though some confused the types; for example, many incorrectly classified the sale of shares as an internal source of finance. The majority of answers for parts (C) and (D) were accurate, and it was particularly rewarding to review the thoughtful responses to parts (C)) and D(ii). An excellent response discussed *niche products*.

Question 5

The average mark for this question was 16/25.

Most candidates demonstrated a good understanding of 'international trade' and provided correct benefits as required in part (A). Responses to part (B) were mixed with very few able to distinguish between absolute and comparative advantage. Candidates were expected to refer to the concept of opportunity cost. Despite this, many candidates correctly answered part B (ii), even if they did not fully grasp the differences between the two types of advantage. The majority of responses for part (C) were accurate, with most candidates providing an adequate definition of protectionism, though some struggled with part C (ii) and provided incorrect answers. For part C (iii), most candidates correctly identified quotas as a common answer. Most responses to part D (i) were correct, with candidates clearly discussing the role of the EU. However, in part D (ii) a significant number of candidates did not provide correct answers.

Question 6

The average mark for this question was 15/25. This was not a very popular question with only 31% of the respondents choosing to answer it.

In part (A), while candidates generally distinguished between GDP and GNP, most did not correctly define NNP. However, they adequately explained the three methods of measuring GDP and identified two difficulties in measuring it. Most candidates answered part (C) correctly, though many did not include the interaction between households and firms in their explanations of the circular flow of income, despite

providing correct diagrams. Their explanations mainly focused on injections and withdrawals of money in the economy, with a few mentioning the balance of payments. In part (D), most candidates misunderstood the question and provided incorrect answers, often confusing it with issues related to foreign individuals in Malta or the continued consumption by Maltese consumers. Candidates were expected to discuss how measures such as investment in Education and skills development, infrastructure development or research and development initiatives contributed to Malta's economic growth.

Question 7

The average mark for this question was 16/25 and was the most popular question among paper A candidates, with 88% choosing to answer it.

A notable proportion of candidates answered parts (A) and (B) correctly, with many providing accurate definitions for 'inflation' and 'unemployment' as well as correctly naming two types of inflation and unemployment. In part (C), a number of candidates struggled to discuss two methods intended to control inflation and unemployment. While many opted for monetary and fiscal policy, many answers often lacked depth. As the question required, candidates were required to 'discuss', which required elaboration on the methods chosen to control inflation and unemployment. Mixed response were provided by candidates in part (D), with more candidates accurately identifying the advantages of unemployment compared to those of inflation. Correct answers referred to the advantage of unemployment as 'having more leisure time'. Incorrect answers regarding inflation frequently mentioned its potential to discourage spending and investment or to reduce business revenue due to higher costs.

Question 8

The average mark for this question was 9/25. This was the least popular question and the one on which candidates performed the worst.

Only a few candidates provided accurate definitions for economic development and economic growth, with a very small number mentioning HDI as a measure of development, while others only referenced GDP. Incorrect answers included factors such as employment, inflation, and population size. Consequently, part A(ii) was mostly answered incorrectly, with candidates mentioning GDP. In part C(i) most responses did not discuss its strengths and limitations effectively. Although good answers were provided for part D (i), candidates often neglected to address the challenges associated with the methods proposed in part (i). However, answers for part (E) were largely correct.

PAPER IIB

Question 1

The average mark for this question was 9/25.

Overall, candidates provided correct responses to the different sections of this question. However, some candidates swapped the numerator with the denominator for the formula of Income Elasticity of Demand (YED). The majority of the candidates were unable to calculate the YED as required in question C (ii). Furthermore, most were unable to relate the impact on inferior goods with an increase in disposable income. Most candidates were able to state the correct formula for Cross Elasticity of Demand (CED), and also able to consider smartwatches as substitutes to smartphones. However, the majority did not calculate the CED for smartphones correctly.

Question 2

The average mark for this question was 10/25.

This question required candidates to demonstrate their understanding of key labour market concepts such as labour demand, labour supply, wage determination, and the potential impact of AI on the labour market. Additionally, it assessed candidates' knowledge of trade unions and different types of labour, both skilled and unskilled. Most candidates provided adequate definitions for labour demand and labour supply. Labour demand was generally understood as the quantity of labour that firms are willing to hire at different wage rates, and labour supply as the quantity of labour that workers are willing to provide at varying wage rates. However, a common error was that some candidates incorrectly associated the demand and supply of labour with the demand and supply of goods and services, which led to confusion in their explanations. A significant number of candidates made a critical error by drawing the demand and supply curves for products, rather than labour demand and supply curves. While some candidates were able to correctly label the equilibrium wage rate and equilibrium quantity of labour, this was only correct in cases where the appropriate labour market curves were drawn. Candidates who confused these concepts and drew the product market curves were unable to accurately reflect the wage determination process in a labour market. Most candidates correctly identified that the development of AI would decrease the demand for cashiers, as machines and automation would replace human labour in this role. The reason provided was typically valid, citing AI's ability to perform tasks previously done by cashiers. However, some candidates struggled to accurately draw a graph reflecting the shift in the labour demand curve due to AI. Those who succeeded showed the demand curve shifting to the left, illustrating a decrease in demand for cashiers. A good number of candidates were able to list the roles of trade unions, such as negotiating for higher wages, improving working conditions, and ensuring job security. However, some candidates only mentioned wage increases, missing other important roles that trade unions play in the labour market. In part F (ii), no candidate correctly explained the labour market consequences of wages being set above the equilibrium rate. Candidates did not discuss unemployment or excess supply of labour resulting from higher-than-equilibrium wages, as firms would demand less labour at higher wages while more workers would be willing to work. The graphs provided were often incorrect, with no clear illustration of unemployment or excess labour supply.

Question 3

The average mark for this question was 11/25.

Overall, candidates demonstrated a solid understanding of basic monopoly concepts, especially regarding barriers to entry. This reflected the performance of paper A candidates. Most candidates correctly identified characteristics such as price-making power and the fact that monopolies are the sole producers of a unique product in their respective markets. However, confusion arose in more complex areas, such as the advantages of monopolies and the effects of privatisation. Instead of discussing why monopolies can benefit an economy, most candidates focused on why governments are typically against monopolies. The expected answer should have highlighted that monopolies can generate economies of scale, leading to lower costs per unit, and can fund innovation and research due to higher profit margins. Future candidates should focus on deepening their understanding of how monopolies and privatisation impact both businesses and the broader economy, ensuring they can provide well-rounded answers that reflect the nuanced nature of these economic topics.

Question 4

The average mark for this question was 12/25 and was the higher performing question among candidates of paper IIB.

Similar to paper A candidates, few were able to give the correct answer for the meaning of SME. The acronym should be well-understood given its frequent use in discussions in business and economic policy. Often, most candidates provided only one source of finance, with bank loans being the most common answer. With respect to giving reasons for expanding a business as required in part (C), many candidates were unable to provide valid reasons. Potential answers could include increasing market share, accessing new markets or diversifying product range. Most answers focused solely on increasing sales showing a limited understanding of the broader reasons for business growth. There were some correct answers for part (D) of the question which asked candidates to state the reasons for firms to remain small. Most candidates demonstrated a good understanding of the motivations for staying small. Part (E) was straightforward and familiar to most candidates, with the majority providing good examples for production sectors.

Question 5

The average mark for this question was 9/25.

Candidates generally understood the key benefits of international trade with many linking these benefits to Malta's specific economic context, such as specialisation or gaining access to resources not available locally. However, very few candidates were able to demonstrate a clear understanding of the distinction between absolute and comparative advantage. A correct answer would explain that Absolute advantage occurs when one country can produce more of a good with the same resources compared to another country, whereas, Comparative advantage refers to a country's ability to produce a good at a lower opportunity cost than another. With respect to identifying which country had an absolute advantage in each of the industries, most candidates simply stated which country, without showing the workings, and many did not correctly interpret the data. In addition, only a few candidates were able to explain the impact of the EU environmental tax. The correct approach was to explain that the EU environmental tax disproportionately affects non-EU shipping companies, it could act as a form of protectionism, favouring EU-based industries by making imports more expensive and reducing foreign competition. Candidates generally focused on the environmental aspect of the tax, missing the protectionist angle. While most candidates were able to state the objective of the European Union, many struggled with providing solid arguments in favour and against adopting the single European currency. In part (F), most candidates showed a weak understanding of the requirements of achieving European and Monetary Union status, with many confusing this with the general requirements for EU membership or misinterpreted the question entirely.

Question 6

The average mark for this question was 10/25. This was not a popular question among paper IIB candidates.

The majority of candidates were able to give correct answers for part A(i) but many struggled to correctly define Gross National Product (GNP) and Net National Product (NNP). For the latter, many responses incorrectly focused on net exports or other unrelated concepts. While many were able to identify two methods by which Gross Domestic Product is measured, few gave detailed explanations of how these were calculated. Candidates were generally unable to clearly explain the relationship between GDP growth and

changes in labour employment. Many answers were vague, only mentioning that an increase in output leads to more jobs. A good answer would explain that as GDP grows, businesses typically need to produce more goods and services, which increases the demand for labour. This results in higher employment levels and income, which in turn can further stimulate demand and economic growth. Some candidates focused only on employment, missing the link to productivity and economic cycles. Most candidates focused solely on households buying goods from firms in the circular flow of income questions, without acknowledging the role of households in providing factors of production. Many responses often lacked proper labelling in the circular flow diagram. Few could list two problems related to calculating, interpreting or comparing National Income statistics. Correct answers should have included non-market activities such as household work or inflation which distorts GDP figures making it difficult to compare real growth over time without adjusting for price level changes. In part (F), many candidates discussed short-term measures like subsidies or tax cuts, which do not necessarily foster long-term sustainable growth.

Question 7

The average mark for this question was 9/25. This was the most popular question among paper IIB candidates with over 67% attempting it.

For part (A), most candidates correctly defined inflation as the rise in the general price level and unemployment as the inability to find work. Some confused the types of inflation with its definition. Part (B) was generally well-answered, with most candidates correctly identifying demand-pull and cost-push inflation, although some mixed up the causes. For unemployment, frictional and structural unemployment were correctly mentioned, though explanations could have been more detailed. While most mentioned reduced purchasing power in part (C), other effects, like menu costs and shoe-leather costs, were rarely addressed. Many answers were vague, focusing on broad impacts like economic slowdown without specifying concrete consequences. Aside from poverty and homelessness, candidates often gave unclear answers to question (D). Few mentioned effects like social unrest or the loss of skills among the unemployed, which are significant consequences. Answers to controlling inflation in part (E) were too general, with few referencing specific measures like monetary policy (raising interest rates). Similarly, responses on unemployment control were basic, missing key points like training programs to address structural unemployment. In part (F), candidates correctly noted that unemployment could increase the labour pool. However, many misunderstood inflation's benefits, incorrectly associating it with higher wages, rather than highlighting how it can encourage spending and stimulate economic activity

Question 8

The average mark for this question was 2/25. This was the least popular question with only 17% of candidates attempting it.

Text book definitions were called for in part (A) of this question, which required candidates to define 'economic development' and 'economic growth'. Similar to paper A candidates, it is notably a concern to see that a large number of candidates were unable to correctly define these basic terms and correctly distinguish between the two. Most candidates did not provide a numerical example as required in part (B) (i). Most struggled with explaining how both concepts contribute to overall prosperity. Many did not highlight the distinction that economic growth boosts a country's output, while economic development focuses on broader societal improvements, like education and healthcare. In part (C), few candidates correctly

identified both benefits and costs. Some incorrectly linked the costs of growth to natural disasters or exports, instead of addressing issues like income inequality or environmental degradation. With respect to mentioning one key indicator used to measure a country's level of development, the majority referred to GDP, but no one mentioned the Human Development Index (HDI). The analysis of strengths and limitations of these indicators was weak, with many not mentioning how GDP overlooks social well-being or income distribution as required in question D (ii). Answers to part (E) were largely off-target, with most candidates misunderstanding the need to focus on strategies for less developed countries. Suggested strategies often did not align with the question, and challenges such as corruption or lack of infrastructure were not discussed. While some identified the increase in national income as a benefit, the associated environmental costs or social inequality were often omitted or incorrectly discussed in the answers to part E (ii).

Chairperson
Examination Panel 2024