



CARIBBEAN EXAMINATIONS COUNCIL

# CSEC<sup>®</sup> Economics

**SYLLABUS  
SPECIMEN PAPER  
MARK SCHEME  
SUBJECT REPORTS**

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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.

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 eight sections, sub-divided into specific objectives and corresponding content. Sections 1–4 are related to Microeconomics and Sections 5–8 are related to Macroeconomics.

- Section 1 The Nature of Economics
- Section 2 Production, Economic Resources and Resource Allocation
- Section 3 Demand and Supply
- Section 4 Market Structure and Market Failure
- Section 5 The Financial Sector
- Section 6 Economic Management: Policies And Goals
- Section 7 International Trade
- Section 8 Caribbean Economies in a Global Environment



CARIBBEAN  
EXAMINATIONS  
COUNCIL

Caribbean Secondary  
Education Certificate®

# SYLLABUS

# ECONOMICS

CXC 36/G/SYLL 17

Effective for examinations from May–June 2019

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Please note that the syllabus has been revised and amendments are indicated by italics.

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*Revised 2017*

Please check the website, [www.cxc.org](http://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:

1. is aware of the importance of living in harmony with the environment: has a strong appreciation of *family and kinship values*, community cohesion, and moral issues including responsibility for and accountability to self and community;
2. 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;
3. demonstrates a positive work *ethic*; and,
4. 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, learn to live together, *and learn to transform themselves and society*, 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 *economic* concepts, principles *and approaches*;
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 *to* enhance their study in other disciplines that include *economic* concepts, principles and approaches;
4. *develop an awareness of basic economic problems; and,*
5. develop an awareness and appreciation of economic issues peculiar to the region.

## ◆ GENERAL OBJECTIVES

On completion of the 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 critically analyse economic decisions made by policymakers;
5. demonstrate an awareness of the fact that economists hold differing views on some economic issues; and,
6. *understand the impact of globalisation and associated issues on the advancement of Caribbean Economies.*

## ◆ SKILLS AND ABILITIES TO BE ASSESSED

The assessment will test the following skills and abilities:

1. *Literacy and Numeracy/Communication*
  - (a) *jargon of the field, formulae, form and style relevant to the field, use of English;*
  - (b) recall, select, and use business-related theories, principles, concepts and methods; and,
  - (c) develop reasoned expositions on theories and policies used in economics.

2. *Critical thinking and problem-solving*
  - identify and analyse problems and formulate solutions.
3. *Interpretation*
  - interpret data and draw logical conclusions.
4. *Research and statistics*
  - (a) *gathering relevant data; and,*
  - (b) *using appropriate strategies to present them.*

## ◆ ORGANISATION OF THE SYLLABUS

The syllabus is arranged in *EIGHT* sections, sub-divided into specific objectives and corresponding content. *Sections 1–4 are related to Microeconomics and Sections 5–8 are related to Macroeconomics.*

SECTION 1	-	THE NATURE OF ECONOMICS
SECTION 2	-	PRODUCTION, ECONOMIC RESOURCES AND RESOURCE ALLOCATION
SECTION 3	-	DEMAND AND SUPPLY
SECTION 4	-	MARKET STRUCTURE AND MARKET FAILURE
SECTION 5	-	THE FINANCIAL SECTOR
SECTION 6	-	ECONOMIC MANAGEMENT: POLICIES AND GOALS
SECTION 7	-	INTERNATIONAL TRADE
SECTION 8	-	CARIBBEAN ECONOMIES IN A GLOBAL ENVIRONMENT

## ◆ SUGGESTED TIMETABLE ALLOCATION

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

## ◆ SUGGESTIONS FOR TEACHING THE SYLLABUS

*To facilitate students' attainment of the objectives of this syllabus, teachers are advised to note the guidelines listed below.*

1. The syllabus provides students with a grounding in economic *concepts, principles and approaches*. The major focus of the syllabus, however, is on the application of these *concepts, principles and approaches* to an understanding of economic issues and problems prevalent in countries of the Caribbean region. Although Section 8: **Caribbean Economies in a Global Environment** is devoted entirely to the Caribbean, teachers should use opportunities

throughout the syllabus to apply *concepts, principles and approaches to both Caribbean and global issues.*

2. *Develop lessons using themes that encompass topics from different sections of the syllabus. Therefore, during the delivery of instruction, teachers should highlight those topics that are repeated throughout the syllabus in order to indicate the relevance of the topic to the particular section.*
3. *Use a variety of methodologies, such as role plays, case studies, simulations, field trips, games and presentations by resource personnel. Practical assignments and discussions on topical issues should be used where possible.*
4. *Where physical examples are not feasible, teachers are advised to utilise the resources of the Internet and other electronic technologies.*

## ◆ CERTIFICATION

The CSEC® Economics syllabus will be examined only *at the May–June sitting.* 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/Comprehension, Application *and Interpretation and Analysis.* These profile dimensions are *explained* below.

## ◆ DEFINITION OF PROFILE DIMENSIONS

### 1. Knowledge/Comprehension

The ability to:

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

### 2. Application

The ability to:

- (a) apply economic concepts, principles *and approaches*; and,
- (b) apply economic concepts, principles, skills *and approaches to solve economic problems in various situations.*

### 3. *Interpretation and Analysis*

The ability to:

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

## ◆ **FORMAT OF THE EXAMINATIONS**

The examination consists of Paper 01, Paper 02 and Paper 031 (School-Based Assessment). Paper 032 (alternative to the School-Based Assessment) is offered to Private candidates as an alternative to the School-Based Assessment.

**PAPER 01**  
(1 hour 15 minutes)  
(60 marks)

*A multiple-choice test of 60 items testing the profile dimensions Knowledge/Comprehension, Application and Interpretation and Analysis in the ratio 1:2:1. The paper will sample proportionately, all sections of the syllabus as outlined below.*

**PAPER 02**  
(2 hours)  
(100 marks)

*This paper will consist of 5 compulsory structured essay questions. Each question will be worth 20 marks and will test all 3 profile dimensions. Questions 1, 2 and 3 will be drawn from the microeconomic aspects of the syllabus (Sections 1–4), and Questions 4 and 5 will be drawn from the macro-economic aspects of the syllabus (Sections 5–8).*

**PAPER 031**  
(SBA)  
(40 marks)

*This component will focus on the assessment of the Knowledge/Comprehension, Application and Interpretation and Analysis profile dimensions in the syllabus, and will require candidates to apply critical thinking, problem-solving, communication, research, statistical and data interpretation skills to issues related to the discipline of business (see pages 2; 38–42).*

**PAPER 032**  
(1 hour 30 minutes)  
(40 marks)

*This paper is an alternative to the SBA and designed for private candidates. The paper will consist of a case study on an issue, topic or problem in economics. Candidates will be required to answer questions based on the case study. The questions will be pitched at the level of the profile dimensions Knowledge/Comprehension, Application and Interpretation and Analysis (see details on pages 43–44).*

Distribution of Items for Paper 01 (Multiple Choice Test)		
Section No.	Section Title	No. of Items
<b>Microeconomics</b>		
1	The Nature of Economics	6
2	Production, Economic Resources and Resource Allocation	8
3	<i>Demand and Supply</i>	10
4	<i>Market Structure and Market Failure</i>	6
<b>Macroeconomics</b>		
5	The Financial Sector	6
6	Economic Management: Policies and Goals	8
7	International Trade	8
8	Caribbean Economies in a Global Environment	8
<b>TOTAL</b>		<b>60</b>

## ◆ WEIGHTING OF THE EXAMINATION COMPONENTS

The weighting of the *examination components* is shown below.

Profiles	PAPERS			TOTAL	Per cent
	Paper 01 (Multiple-choice)	Paper 02 (Essay)	Paper 03 (SBA)		
Knowledge/ <i>Comprehension</i>	20	30	10	60	30
Application	20	40	20	80	40
Interpretation and Analysis	20	30	10	60	30
TOTAL	60	100	40	200	100
PER CENT	30	50	20	-	100

## ◆ 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 Paper 01, Paper 02 and Paper 032 (the alternative to the School-Based Assessment).*

*Paper 032 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 032 at a designated examination centre.*

## ◆ REGULATIONS FOR RESIT CANDIDATES

*Resit candidates who have obtained a **MODERATED** score of 50 per cent or more of the 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 per cent 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.*

*Private candidates will be required to resit all components of the examination.*

## ◆ SECTION 1: THE NATURE OF ECONOMICS

### SPECIFIC OBJECTIVES

### CONTENT

Students should be able to:

1. define the term “economics”;  
Economics as a Social Science:
  - (a) the allocation of scarce resources and the creation of wealth;
  - (b) the production, distribution and consumption of goods and services; and,
  - (c) the behaviour, interactions and welfare of those involved in the process.
  
2. explain the branches of economics;  
*Branches of Economics:*
  - (a) *Microeconomics; and,*
  - (b) *Macroeconomics.*
  
3. explain the meaning of an economy;  
An economy as a mechanism:
  - (a) organisation of resources for production of goods and services; and,
  - (b) satisfaction of society’s needs and wants.
  
4. describe the main economic agents in an economy;  
Main agents in an economy:
  - (a) households;
  - (b) firms; and,
  - (c) Government.
  
5. explain the concepts of scarcity, choice and opportunity cost within an economy;
  - (a) Concepts of scarcity, choice and opportunity cost, efficiency and inefficiency.
  - (b) Distinguish between free goods and economic goods.

## SECTION 1: THE NATURE OF ECONOMICS (cont'd)

### SPECIFIC OBJECTIVES

### CONTENT

Students should be able to:

- |  |  |
|--|--|
| 6. <i>use the production possibility frontier to illustrate basic economic concepts, principles and approaches; and,</i> | (a) Illustration of Production Possibility Curve.<br>(b) <i>Scarcity, choice, opportunity cost, shifts, efficiency and inefficiency.</i><br>(c) <i>Shifts of Production Possibility Curve (causes and illustration).</i> |
| 7. <i>describe the main factors that affect the decisions made by economic agents.</i>                                   | <i>Factors affecting the economic decisions of economic agents.</i>  |

### Suggested Teaching and Learning Activities

*To facilitate students' attainment of the objectives of this Section, teachers/facilitators are encouraged to engage students in the teaching and learning activities below.*

- 1. Place students in groups and give each group a set of variables, for them to discuss and then determine which variables are macroeconomic and microeconomic.*
- 2. Draw diagrams to illustrate outward shifts and inward shifts as a result of the changing quality and quantity of resources peculiar to the production of one good.*
- 3. Engage students in exercises with data in tables so that they can practise drawing production possibility frontiers (ppf) and calculating opportunity costs.*

### RESOURCES

- |  |   |
|--|---|
| <i>Bahaw, E. and Mollick, W.</i>         | <i>Comprehensive Economics for CSEC. Caribbean Educational Publishers, 2008.</i>        |
| <i>Gopie, P.</i>                         | <i>Economics for CSEC Examinations. MacMillan, 2010.</i>                                |
| <i>Greenwood, R. and Cook, T. et al.</i> | <i>Economics for CSEC. Cambridge University Press, 2007.</i>                            |
| <i>Hosein, R. and Stanlake, G.</i>       | <i>Longman Economics for CXC. Pearson Education, 2005.</i>                              |
| <i>Robinson, K. and Cooke, N.</i>        | <i>Economics for CSEC with SBA, Study Guide and Exercises. Carlong Publishers 2011.</i> |

## ◆ SECTION 2: PRODUCTION, ECONOMIC RESOURCES AND RESOURCE ALLOCATION

### SPECIFIC OBJECTIVES

### CONTENT

Students should be able to:

1. *explain the difference between production and productivity;*

(a) Definition of production.

(b) Differences between production and productivity.

2. *describe the factors of production;*

Factors of production: economic resources required to produce goods: (human and non-human).

Types of economic resources as factors of production:

(a) land;

(b) labour;

(c) capital; and,

(d) entrepreneurial talent.

Rewards of factors of production:

(a) rent;

(b) wages and salaries;

(c) interest; and,

(d) profit.

Description of the factors of production:

(a) Land:

(i) definition;

(ii) characteristics;

(iii) types;

(iv) importance; and,

(v) productivity.

## SECTION 2: PRODUCTION, ECONOMIC RESOURCES AND RESOURCE ALLOCATION (cont'd)

### SPECIFIC OBJECTIVES

### CONTENT

Students should be able to:

- (b) Labour:
  - (i) definition;
  - (ii) characteristics;
  - (iii) functions;
  - (iv) productivity;
  - (v) efficiency;
  - (vi) supply;
  - (vii) division of labour and specialisation; and,
  - (viii) advantages and disadvantages of division of labour and specialisation.
- (c) Capital:
  - (i) definition;
  - (ii) characteristics;
  - (iii) types;
  - (iv) accumulation; and,
  - (v) importance as a substitute for labour.
- (d) Entrepreneurial Talent: public and private Enterprises:
  - (i) definition;
  - (ii) importance; and,
  - (iii) functions.

## SECTION 2: PRODUCTION, ECONOMIC RESOURCES AND RESOURCE ALLOCATION (cont'd)

### SPECIFIC OBJECTIVES

### CONTENT

Students should be able to:

3. *describe the main sectors in an economy;*
  - (a) *primary;*
  - (b) *secondary; and,*
  - (c) *tertiary.*
4. *explain the difference between short run and long run;* Differences between short run and long run.
5. *identify the costs associated with production;* Fixed, variable, total, average and marginal costs: *Definitions.*
6. *calculate the costs associated with production;* *Calculation of costs.*
7. *illustrate the curves associated with the cost of production;* *Cost curves.*
8. *explain the difference between goods and services;* Goods (tangible) and services (intangible).
9. *explain the concept of resource allocation;* Resource allocation: what to produce; how much to produce and for whom to produce.
10. *describe the main types of economic systems;* Types of economic systems:
  - (a) *traditional (subsistence farming, bartering);*
  - (b) *command or planned (socialist);*
  - (c) *free or capitalist (market); and,*
  - (d) *mixed (public and private sectors).*

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.

## SECTION 2: PRODUCTION, ECONOMIC RESOURCES AND RESOURCE ALLOCATION (cont'd)

### SPECIFIC OBJECTIVES

### CONTENT

Students should be able to:

- |     |   |  |
|-----|---|--|
| 11. | <i>discuss</i> the merits and demerits of each economic system;           | 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.  |
| 12. | <i>describe how firms operate under different market structures; and,</i> | Types of business organisations in a free market.<br><br><i>How firms in general operate under different market structures as profit maximisers.</i>   |
| 13. | explain the concepts of economies of scale and diseconomies of scale.     | Concept of economies of scale:<br><br>Technical, Marketing, Financial, <i>Managerial</i> , and Risk-bearing economies.<br><br><i>Control, communication and Industrial problems.</i><br><br>Concept of diseconomies of scale.<br><br>Diminishing returns to scale.<br><br>Social and economic benefits of producing goods in large quantities. |

### Suggested Teaching and Learning Activities

*To facilitate students' attainment of the objectives of this Section, teachers/facilitators are encouraged to engage students in the teaching and learning activities below.*

1. *Discuss with students about various forms of productive activities.*
2. *Either in groups or individually, let students select real-life activities, and identify and explain the processes involved including the factors of production needed for these activities. This should also cover division and specialisation of labour.*
3. *Let students describe activities to illustrate productivity of labour as well as the productivity of natural resources by having them compare the output per unit of these factors of production.*
4. *Guide students in the identification and discussion of specific productive activities in the three economic sectors (namely, primary, secondary and tertiary), in order to help them understand why these sectors are so defined.*

## SECTION 2: PRODUCTION, ECONOMIC RESOURCES AND RESOURCE ALLOCATION (cont'd)

5. *Discuss the two main types of production costs as well as examples of same with students. As a group or individual activity/project, let students select various manufacturing businesses in their country and identify and explain specific examples of the fixed and variable costs for these businesses.*
6. *Give students cases which include the presentation of numerical situations so as to enable them to calculate the values of the various measures of relevant costs as well as to enable them to derive the corresponding curves for the costs involved.*
7. *Engage students in discussions and exercises on real-life examples of goods and services. In these discussions and exercises, assist students in the classification of these goods and services into producer and consumer goods and direct and indirect services respectively.*
8. *Discuss with students the genesis, elements, advantages and disadvantages of the various forms of economic systems.*
9. *Arrange students into groups and assign them to conduct a research which requires them to choose a country and identify the economic system that exists in the country, and explain the features of this country that allow it to be described as such an economic system. This research should be followed by an in-class presentation and discussion.*
10. *Discuss with students the main features of the main forms of businesses.*
11. *Conduct field trips to expose students to real-life businesses in order to identify features.*
12. *Let students engage in research to identify examples of the various forms of businesses (including the activities involved in), in their countries and present their findings.*
13. *Discuss with students the concepts and examples of Economies and Diseconomies of Scale. Use specific businesses, some identified by students, to illustrate how these businesses may experience these Economies and Diseconomies of Scale. Visits to businesses could also enable students to observe and/or inquire about same.*

## RESOURCES

- Bahaw, E. and Mollick, W.                      Comprehensive Economics for CSEC. Caribbean Educational Publishers, 2008.*
- Gopie, P.    Economics for CSEC Examinations. MacMillan, 2010.*
- Robinson, K. and Cooke, N.                    Economics for CSEC with SBA, Study Guide and Exercises. Carlong Publishers 2011.*

## ◆ SECTION 3: DEMAND AND SUPPLY

### SPECIFIC OBJECTIVES

### CONTENT

Students should be able to:

1. explain the term “market”;  
Concept of a market:
  - (a) *as a situation where buyers and sellers communicate for the purpose of exchanging goods and services; and,*
  - (b) *the elements of a market: buyer, seller, goods and services and price.*
2. identify the market forces;  
The market forces:
  - (a) *The forces of demand and supply.*
  - (b) *Conditions, non-price factors, determinants of demand and supply.*
3. *use diagrams to describe the relationship between price and demand and price and supply;*  
The relationship between price and quantity demanded, and price and quantity supplied:
  - (a) *the first two laws of demand and supply respectively; and,*
  - (b) *the schedules and diagrammatic representations of demand curve and supply curves.*
4. explain the concept of ceteris paribus;  
The concept of ceteris paribus *and its use in illustrating the effect of price on demand and supply.*
5. explain the concept of market equilibrium and disequilibrium;  
Market equilibrium:
  - (a) *equilibrium point – the point where the demand and supply curves intersect;*
  - (b) *equilibrium price – price where quantity demanded is equal to the quantity supplied;*
  - (c) *equilibrium quantities – consumer and supplier quantities are equal. No surplus, no shortage. (The 3rd Law);*

## SECTION 3: DEMAND AND SUPPLY (cont'd)

### SPECIFIC OBJECTIVES

### CONTENT

Students should be able to:

- (d) *schedules and diagrammatic representation of market equilibrium; and,*
- (e) *the effects of prices set below and above the equilibrium price respectively – use graphs and schedules.*
6. illustrate market equilibrium and disequilibrium;
- Diagrammatic representation of market equilibrium:
- (a) *schedules and graphs to illustrate the occurrences of shortages and surpluses respectively; and,*
- (b) *explain the effects of shortages and surpluses – price will rise towards the equilibrium or fall towards the equilibrium respectively.*
7. use diagrams to explain the non-price determinants of demand and supply;
- The non-price determinants of demand such as income, taste, and size of population.*
- The non-price determinants of supply such as number of firms in the industry, producers consumption of his own good/service, and weather conditions for agricultural products.*
- Assume ceteris paribus for price and then explain how each non-price factor of demand can either increase or decrease demand and how each non-price factor of supply can either increase or decrease supply.*
8. illustrate how changes to the determinants affect equilibrium, price and quantity;
- Diagrammatic representations and analyses of how changes to the determinants affect demand and supply curves.
- Movements along demand and supply curves versus shifts of the curves.*
- Changes in market equilibrium occur when demand, supply or both shift. Consider also the effects of the shifts (the 4th and 5th laws of demand and supply) on price and quantity.*

### SECTION 3: DEMAND AND SUPPLY (cont'd)

#### SPECIFIC OBJECTIVES

#### CONTENT

Students should be able to:

- |     |   |  |
|-----|---|--|
| 9.  | explain the concept of price, <i>income and cross-price</i> elasticities of demand;               | Price elasticity of demand:<br><br>(a) concept of price elasticity of demand and its determinants;<br><br>(b) concept of income and cross elasticity of demand <i>and their determinants</i> ; and,<br><br>(c) <i>measurements of each.</i>                      |
| 10. | <i>calculate the price, income and cross-price</i> elasticities of demand;                        | <i>Calculations using the simple formulae for price, income, and cross price elasticities.</i>   |
| 11. | <i>interpret the price, income and cross-price</i> elasticities of demand;                        | <i>Interpretation of calculations;<br/>For example, for price elasticity of demand:<br/>&lt;1 (inelastic), &gt;1(elastic), =1(unitary) and extremes, =0 and =infinity etc.</i>   |
| 12. | outline <i>the</i> factors affecting price, <i>income and cross-price</i> elasticities of demand; | Factors affecting price <i>income and cross-price</i> elasticities of demand.<br><br>Illustration, by graphs, of elastic and inelastic demand.   |
| 13. | explain <i>the concept of</i> price elasticity of supply;   | Price elasticity of supply: what happens to quantity supplied following a change in price.<br><br>Illustration, by graphs and tables, of elastic and inelastic supply.<br><br>Illustration, by graphs and tables, of changes in conditions of demand and supply. |
| 14. | <i>calculate</i> price elasticity of supply;  | <i>Calculations of price elasticity of supply using the simple formula.</i>  |
| 15. | <i>interpret</i> price elasticity of supply; and,   | <i>Interpretation of the results of calculations of price elasticity of supply using the simple formula.</i>   |
| 16. | <i>outline the factors affecting</i> price elasticity of supply.                                  | <i>The factors affecting price elasticity of supply. Time is the greatest influence on price elasticity of supply.</i>   |

## SECTION 3: DEMAND AND SUPPLY (cont'd)

### Suggested Teaching and Learning Activities

To facilitate students' attainment of the objectives of this Section, teachers/facilitators are encouraged to engage students in the teaching and learning activities below.

1. Discuss with students the meaning of a market by allowing them to identify the various means by which persons engage in the exchange of goods and services, for example online/internet transactions.
2. Discuss with students the composition/participants of a market (namely, consumers and producers), and the influences on their behaviour, that is, their demand for and supply of goods and services respectively.
3. Discuss with students the price as well as the various non-price factors that influence the demand for and supply of goods and services. Seasonal products and indigenous products can be used as good examples.
4. Present students with a variety of price and non-price scenarios affecting demand and supply. In groups or individually, have them discuss, present and explain the effects, including shortage, surplus and changes, to equilibrium price and quantity. Students are to be able to illustrate these effects.
5. Discuss with students about consumers' responsive changes in demand to changes in the price of a good itself, their incomes and the prices of other goods. Use examples of specific goods and services in the students' environment to support the discussion. Allow students to discuss the extent of these responsive changes, so that they can more easily identify the various issues related to three forms of elasticity of demand. Ensure that during the activity students describe how these factors would affect the extent of producers'/firms' response to price changes.
6. Give students situations which require them to calculate and interpret the various types of price, income and cross-price elasticities of demand.
7. Let students select a variety of goods and services and identify their type of price, income and cross-price elasticities of demand based on their observations of consumers' response to changes in these variables.

### RESOURCES

- Bahaw, E. and Mollick, W. *Comprehensive Economics for CSEC*. Caribbean Educational Publishers, 2008.
- Robinson, K. and Cooke, N. *Economics for CSEC with SBA, Study Guide and Exercises*. Carlong Publishers 2011.

## ◆ SECTION 4: MARKET STRUCTURE AND MARKET FAILURE

### SPECIFIC OBJECTIVES

### CONTENT

Students should be able to:

1. define the term “market structure”;

Definition of market structure.

Market structure: behaviour 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; and,
- (d) control on price.

2. describe the main types of market structures;

Define main types of market structures:

- (a) perfect competition;
- (b) monopoly;
- (c) oligopoly; and,
- (d) monopolistic competition.

Outline the characteristics of the main types of market structures *in terms of behaviour and performance of the firms in the industry:*

- (a) number of buyers and sellers;
- (b) types of goods;
- (c) freedom of entry and exit;
- (d) control over price;
- (e) barriers to entry and exit in the long run; and,
- (f) short run and long run equilibrium – including graphs.

*Advantages and disadvantages of each market structure.*

## SECTION 4: MARKET STRUCTURE AND MARKET FAILURE (cont'd)

### SPECIFIC OBJECTIVES

### CONTENT

Students should be able to:

- |    |   |  |
|----|---|--|
| 3. | <i>illustrate graphs related to the main market structures;</i> | <i>Graphs related to short run and long run equilibrium showing profit maximising output, price and profit/loss.</i>   |
| 4. | <i>interpret graphs related to the main market structures;</i>  | <i>Interpret graphs related to the main market structures.</i>   |
| 5. | define the term “market failure”;                               | Definition of market failure.  |
| 6. | outline the main causes of market failure; and,                 | Causes of market failure:<br><ul style="list-style-type: none"><li>(a) monopoly;</li><li>(b) merit goods and public goods; and,</li><li>(c) negative or positive externalities.</li></ul>  |
| 7. | <i>discuss</i> the main consequences of market failure.         | Consequences of market failure:<br><ul style="list-style-type: none"><li>(a) retrenchment;</li><li>(b) unemployment;</li><li>(c) economic depression;</li><li>(d) rise in levels of poverty;</li><li>(e) decline in provisions for societal welfare; and,</li><li>(f) <i>micro consequences such as over or under pricing, inefficiency in production in terms of over or underproduction, and inefficient use of resources.</i></li></ul> |

## **SECTION 4: MARKET STRUCTURE AND MARKET FAILURE (cont'd)**

### **Suggested Teaching and Learning Activities**

*To facilitate students' attainment of the objectives of this Section, teachers/facilitators are encouraged to engage students in the teaching and learning activities below.*

- 1. Divide the class into groups and have each group study and make class presentation on a specific market structure.*
- 2. Identify graphs related to short run and long run equilibrium showing profit maximising output, price and profit/loss, and engage students in the interpretation of these graphs.*
- 3. Engage students in activities where they are expected to use data given to illustrate graphs related to the main market structures.*

### **RESOURCES**

- Bahaw, E. and Mollick, W.                      Comprehensive Economics for CSEC. Caribbean Educational Publishers, 2008.*
- Greenwood, R. and Cook, T.                      Economics for CSEC. Cambridge University Press, 2007.*
- Robinson, K. and Cooke, N.                      Economics for CSEC with SBA, Study Guide and Exercises. Carlong Publishers 2011.*

## ◆ SECTION 5: THE FINANCIAL SECTOR

### SPECIFIC OBJECTIVES

### CONTENT

Students should be able to:

1. explain the concept of the Financial Sector;  
The Financial Sector: The complex mix or network of markets, households, businesses, governments, laws and institutions interacting with one another.  
  
Economic activities that are not officially regulated and which take place outside the formal norms of business transactions.
2. *discuss* the role of the Financial Sector;  
The role of the Financial Sector in mobilising and making loanable funds available from savers to spenders for consumption and investment purposes.
3. *discuss* the concept of money;
  - (a) Money as an item considered acceptable to be used as payment for goods and services, *and for settling debts*.
  - (b) *The steps in the development of money:* From bartering to modern forms of payments.
  - (c) The qualities of money:
    - (i) *acceptability;*
    - (ii) *scarce or limited in supply;*
    - (iii) *homogeneity;*
    - (iv) *divisibility;*
    - (v) *portability; and,*
    - (vi) *durability.*
  - (d) Four main functions of money.
    - (i) *as a medium of exchange;*
    - (ii) *as a store of value;*
    - (iii) *as a measure of value; and,*
    - (iv) *as a standard of deferred payments.*

## SECTION 5: THE FINANCIAL SECTOR (cont'd)

### SPECIFIC OBJECTIVES

### CONTENT

Students should be able to:

4. explain the concepts “demand for money” and “money supply”;
- (a) *Demand for money: transactionary, precautionary, and speculative motives.*
- (b) Money supply: the total stock of money in the economy at any moment.
- (c) *Supply of money in terms of M0, M1 and M2.*
5. describe the role of the Central Bank;
- Roles of the Central Bank *including its role in:*
- (a) *monetary policies:*
- (i) *interest rate;*
- (ii) *reserve requirement;*
- (iii) *open market operation; and,*
- (iv) *moral suasion.*
- (b) *supervising other financial institutions.*
6. *describe the role of financial institutions and arrangements other than the Central Bank; and,*
- Roles of the following financial institutions:
- (a) Commercial Bank;
- (b) Stock Exchange;
- (c) Credit Union;
- (d) Development Bank;
- (e) Insurance Company;
- (f) Mutual Fund;
- (g) Building Society;
- (h) Investment Trust Company; and,
- (i) Informal credit institutions (Sou Sou, Box, Partner, Sindicatos, Meeting Turns).

## SECTION 5: THE FINANCIAL SECTOR (cont'd)

7. *explain the differences among the types of financial instruments.*
- Financial instruments:
- (a) treasury *bills*, notes and bonds;
  - (b) corporate bonds;
  - (c) municipal bonds;
  - (d) equity securities;
  - (e) *share and stock certificates*; and,
  - (f) *certificates of deposit*.

### **Suggested Teaching and Learning Activities**

*To facilitate students' attainment of the objectives of this Section, teachers/facilitators are encouraged to engage students in the teaching and learning activities below.*

1. *Divide the class into groups of workers/consumers (Managers, supervisors and lower level workers), bankers, firms and the Government. Each firm is allocated money to pay workers in different pay scales. Workers/consumers go to different firms to purchase goods with different prices. Goods can be bought on credit, with borrowed funds or with cash. The remainder of the pay is deposited into the banks. The economic agents go to banks to borrow money for pre-determined high value products with repayment plans.*
2. *Organise a tour to the local Stock Exchange, or investment services institution. Where students can be exposed to financial instruments such as bonds and equities. Prepare a comprehensive worksheet or questionnaire to guide the students' engagement during the tour, and help them to research and write about the local Stock Exchange or a local Mutual fund.*

### **RESOURCES**

- Bahaw, E. and Mollick, W. Comprehensive Economics for CSEC. Caribbean Educational Publishers, 2008.*
- Greenwood, R. and Cook, T. Economics for CSEC. Cambridge University Press, 2007.*
- Robinson, K. and Cooke, N. Economics for CSEC with SBA, Study Guide and Exercises. Carlong Publishers 2011.*

## ◆ SECTION 6: ECONOMIC MANAGEMENT: POLICIES AND GOALS

### SPECIFIC OBJECTIVES

### CONTENT

Students should be able to:

1. *discuss* the role of government in stabilising the economy;
  - (a) Role of government in:
    - (i) *full employment*;
    - (ii) *price stability*;
    - (iii) *favourable balance of payment*;
    - (iv) *taxation and expenditure*;
    - (v) *transfer policies*; and,
    - (vi) *economic growth and development*.
  - (b) *Types of taxes: direct and indirect*.
2. *explain* the concepts, *principles and approaches* associated with economic policies and goals;
  - (a) national budget;
  - (b) national income;
  - (c) disposable income;
  - (d) national debt;
  - (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;

## SECTION 6: ECONOMIC MANAGEMENT: POLICIES AND GOALS (cont'd)

### SPECIFIC OBJECTIVES

### CONTENT

Students should be able to:

- (m) GDP;
  - (n) GNP;
  - (o) employment;
  - (p) unemployment;
  - (q) inflation;
  - (r) deflation;
  - (s) savings;
  - (t) investment; and,
  - (u) *closed and open economies.*
3. *discuss measures used to correct macro-economic problems in an economy;* *Use of government policies to correct problems such as inflation, unemployment, and recession.*
4. *use diagrams to describe the concept of the circular flow of income;* (a) *Flows of goods and services and factors of production between firms, households, and Government.*  
(b) *Injections and withdrawals/Government linkages.*
5. *discuss the differences among Gross Domestic Product (GDP), Gross National Product (GNP), and National Income (NI);* *GDP: a measure of a country's output; GNP: a measure of a national's output; NI: the increase or decrease in the standard of living.*
6. *calculate Gross Domestic Product (GDP) and Gross National Product (GNP); National Income(NI);* *Calculation of GDP, GNP and NI.*
7. *interpret Gross Domestic Product (GDP) and Gross National Product (GNP); National Income(NI);* *Interpretation of GDP, GNP and NI.*
8. *explain the differences among nominal output, real output and potential output;* *Nominal output, real output and potential output. Include numerical examples.*

## SECTION 6: ECONOMIC MANAGEMENT: POLICIES AND GOALS (cont'd)

### SPECIFIC OBJECTIVES

### CONTENT

Students should be able to:

9. *explain the difference between economic growth and economic development;* Economic growth and economic development.
10. *explain the difference between inflation and recession;* Inflation and recession.
11. *discuss the main causes, consequences, and solutions associated with inflation and recession in an economy;* The major causes and consequences of inflation and recession.  
(a) Government's role in reducing inflation.  
(b) Government's role in relieving recession.
12. *explain the different types of unemployment;* Types of unemployment:  
(a) structural;  
(b) cyclical;  
(c) frictional;  
(d) seasonal; and,  
(e) real-wage.
13. *discuss the causes and consequences of, and solutions to the different types of unemployment; and,* (a) Causes and consequences of unemployment; and,  
(b) Measures to reduce each type of unemployment.
14. *explain the role of trade unions in an economy.* The role of Trade Unions in *an economy as it relates to matters such as its advantages and disadvantages in:*  
(a) *addressing wages and salaries, working conditions and working hour; and,*  
(b) *creating real-wage unemployment in the labour market.*

## SECTION 6: ECONOMIC MANAGEMENT: POLICIES AND GOALS (cont'd)

### Suggested Teaching and Learning Activities

To facilitate students' attainment of the objectives of this Section, teachers/facilitators are encouraged to engage students in the teaching and learning activities below.

1. Use the following game, or a similar one, to demonstrate an understanding of the circular flow of income:

Make a set of 'placards' printed on A4 paper so that they can be seen from across the room. Labels needed: households; firms; government; imports; savings; taxation; exports; investment; Government spending. Distribute the placards among the students, and as you do so, get the class to predict how each one will impact on the whole economy.

Give person A the household placard. Give person B the firms placard. Make A and B stand a couple of metres apart, ideally in the middle of the room.

Ask the class how A and B affect each other. Get them to describe flows of goods/services and factors of production, then get them to think about the corresponding flows of money. Represent each money flow with a piece of string held by A and B.

Get the class to predict what will happen if A saves; then instruct person C to hold the savings placard and to pull some of the "expenditure" string from A. Students should now try to explain what has happened to the length of string now going between A and B; and using the jargon of the discipline say what has happened to the size of the circular flow of income.

**Adapted from:** <https://www.tes.com/uk/>

2. Use appropriate scenarios like the one below, as examples of economic activities, to illustrate the differences between GDP and GNP.

A Belizean national living and working in St Vincent sends home most of his income to help take care of his family. Discuss whether this money forms part of the GDP or GNP of Belize or both.

3. Engage students in activities where they use economic data and formulae to derive GDP and GNP. The students should be asked to interpret the figures/results obtained; and the teacher should probe students as necessary, to encourage discussions on the economic implications of changes in GDP and GNP, such as whether they improved, deteriorated or remained constant. The appropriate use of economics jargon must be encouraged.

4. Teacher will outline examples of economic occurrences such as, 'There was a significant increase in the number of concrete houses built in St Vincent and the Grenadines in 2015 compared to 2014.'

Ask students to categorise each example as either economic growth or economic development. The teacher should also probe students as necessary, to encourage discussions on the implications of economic growth and economic development. The appropriate use of economics jargon must be encouraged.

## SECTION 6: ECONOMIC MANAGEMENT: POLICIES AND GOALS (cont'd)

5. Place students in groups. Each group will be given a (printed) list of situations or scenarios about individuals who are not working and the reasons why.

Examples:

- (a) John, a final year college student, was visited yesterday by officers from the Population Survey Centre. They are presently collecting data in order to determine the current level of unemployment in the country, among other things.
- (b) Last Friday, the company for which Mary worked in St Lucia closed down. However, she has been assured of a job in Dominica when the business opens its new facility in the next three weeks.

The groups will analyse each situation and:

- (i) determine which individuals can be classified as unemployed (based on the definition of unemployment);
- (ii) categorise the unemployed persons under the specific types of unemployment; and,
- (iii) justify the decision taken in (ii).
6. Ask students to conduct a research in their communities to identify persons who are 'unemployed'. The research should help them to:
- (a) determine which individuals can be classified as unemployed (based on the definition of unemployment);
- (b) categorise the unemployed persons under the specific types of unemployment;
- (c) justify the decision taken in (b);
- (d) ascertain the causes of unemployment;
- (e) identify possible solutions to the different types of unemployment; and,
- (f) research solutions proposed in theory as well as those used in other contexts, and compare their findings with these solutions.

Students should make oral presentations to the class.

7. Engage students in an exercise to identify and analyse recent activities/negotiations between trade unions and government (locally and/or regionally). They will attempt to trace the economic (and social) impact of trade union representation on the labour market in the territory examined. Newspaper articles and trade union newsletters could be used as a source of current information for this activity.

## **SECTION 6: ECONOMIC MANAGEMENT: POLICIES AND GOALS (cont'd)**

8. *Invite a trade unionist to speak to students about trade union related issues. Help students to prepare a comprehensive instrument to guide their notetaking and question and answer session.*
9. *Engage students in a brainstorming activity to help them identify some of the macroeconomic problems in an economy. They will identify and critique some that are being experienced in their territory as well as the existing policy measures being used to address them. They should finally suggest and justify some additional or more appropriate policies that can be used to address these problems.*
10. *Engage students in a debate which requires them to analyse some of the policies outlined in the recent budget document by the Minister of Finance for their country, and discuss possible effects that each policy measure will have on economic stability.*
11. *Engage students in a class discussion on the key objectives of government policies that exist in their territories.*

### **RESOURCES**

- Gopie, P. Economics for CSEC Examinations. Macmillan Publishers, 2010.*
- Robinson, K. and Cooke, N. Economics for CSEC with SBA, Study Guide and Exercises. Carlong Publishers 2011.*

### **WEBSITES**

- <https://www.youtube.com/watch?v=2PVwzSEUjil>
- <https://www.youtube.com/watch?v=afEqMX9YGCY>
- <https://www.tes.com/uk/>

## ◆ SECTION 7: INTERNATIONAL TRADE

### SPECIFIC OBJECTIVES

### CONTENT

Students should be able to:

1. *discuss* the meaning of concepts *principles and approaches* associated with international trade;  
Definition of the following terms and concepts:
  - (a) balance of trade;
  - (b) current account;
  - (c) capital account;
  - (d) *net international reserves (NIR)*;
  - (e) balance of payments;
  - (f) balance of payments disequilibria;
  - (g) tariff;
  - (h) Common External Tariff (CET);
  - (i) quota (non-tariff barriers);
  - (j) exchange rate;
  - (k) exchange rate regimes; and,
  - (l) World Trade Organisation (WTO).
  
2. explain the rationale for international trade;  
The concepts of:
  - (a) *absolute advantage*;
  - (b) comparative advantage;
  - (c) gains from trade; and,
  - (d) factors that influence International Trade, including *terms of trade (the ratio between import and export price indices)*.
  
3. *discuss the concepts, principles and approaches associated with* balance of payments;  
Balance of payments as a balance sheet indicating all the international transactions with the rest of the world.  
  
Balance of Trade as the difference between the values of exports and imports of visibles.

## SECTION 7: INTERNATIONAL TRADE (cont'd)

### SPECIFIC OBJECTIVES

### CONTENT

Students should be able to:

	Current Account, Capital Account and the Official Financing Account.
	Entries that would appear in the balance of payments account.
	Factors that give rise to surpluses.
	Factors that give rise to a deficit.
4. <i>*calculate</i> balance of payments surpluses and deficits;	Calculate surplus as excess of receipts over payments; deficit as excess of expenditure over receipts.
5. <i>interpret</i> balance of payments surpluses and deficits;	Explanation and articulation of the values for balance of payments surpluses and deficits.
6. <i>discuss the</i> consequences of and remedies for balance of payments surpluses and deficits; and,	Possible consequences of balance of payments surpluses and deficits.  Possible remedies for balance of payments surpluses and deficits.
7. <i>discuss the concepts, principles and approaches associated with</i> exchange rates.	Factors that influence the level of an exchange rate.  Fixed, Floating and Managed exchange rate regimes.  Appreciation and depreciation of a currency.  <i>Revaluation and devaluation.</i>  Downward and upward adjustments to the value of a currency.

## **SECTION 7: INTERNATIONAL TRADE (cont'd)**

### **Suggested Teaching and Learning Activities**

*To facilitate students' attainment of the objectives of this Section, teachers/facilitators are encouraged to engage students in the teaching and learning activities below.*

*Divide students into groups and assign each group to identify items such as clothes, food, cell-phones on sale in their territory. They should be encouraged to identify issues such as the source and cost of these items. They should then discuss the differences between those purchased abroad and those produced locally, as well as the advantages and disadvantages of purchasing from abroad and producing locally.*

### **RESOURCES**

*Bahaw, E. and Mollick, W.                      Comprehensive Economics for CSEC. Caribbean Educational Publishers, 2008.*

*Greenwood, R. and Cook, T.                      Economics for CSEC. Cambridge University Press, 2007.*

*Robinson, K. and Cooke, N.                      Economics for CSEC with SBA, Study Guide and Exercises. Carlong Publishers 2011.*

### **WEBSITES**

[http://boj.org.jm/uploads/pdf/papers\\_pamphlets/papers\\_pamphlets\\_balance\\_of\\_payments\\_made\\_simple.pdf](http://boj.org.jm/uploads/pdf/papers_pamphlets/papers_pamphlets_balance_of_payments_made_simple.pdf)

## ◆ SECTION 8: CARIBBEAN ECONOMIES IN A GLOBAL ENVIRONMENT

### SPECIFIC OBJECTIVES

### CONTENT

Students should be able to:

1. *describe* the main characteristics of Caribbean economies;
 

Main characteristics of Caribbean economies: market size, resources, nature of dependency.
2. *discuss* the major economic challenges and possible solutions associated with Caribbean economies;
 

Economic problems associated with Caribbean economies.

Benefits and costs of preferential tariff arrangements in light of discussions within the World Trade Organisation (WTO).

Trade liberalisation in the context of the termination of all preferential tariff arrangements worldwide.

Globalisation in the context of open competition on a world scale.

The free movement of goods, capital, labour and technology.

Effects of globalisation and trade liberalisation on firms, consumers and the sovereignty of territories.

*Shocks: external, demand, and supply.*
3. *discuss* the concepts, principles and approaches associated with Caribbean economies;
 

Definition *and discussion* 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;

## SECTION 8: CARIBBEAN ECONOMIES IN A GLOBAL ENVIRONMENT (cont'd)

### SPECIFIC OBJECTIVES

### CONTENT

Students should be able to:

- (i) globalisation;
  - (j) trade liberalisation;
  - (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);
  - (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); and,
  - (y) Foreign Direct Investment (FDI).
4. *explain* the benefits and costs derived from the participation of CARICOM countries in preferential trade arrangements;
- Definition and explanation of preferential tariffs including those offered by the European Union (EU).

## SECTION 8: CARIBBEAN ECONOMIES IN A GLOBAL ENVIRONMENT (cont'd)

### SPECIFIC OBJECTIVES

### CONTENT

Students should be able to:

- |    |   |  |
|----|---|--|
| 5. | <i>discuss</i> the benefits to be derived from the Caribbean Single Market and Economy (CSME); and, | Possible social and economic benefits to be derived from the free movement of capital, goods and labour within CARICOM.  |
| 6. | <i>discuss the concepts, principles, approaches, and issues associated with</i> e-commerce.         | Concepts, <i>principles and approaches associated with</i> e-commerce or e-business.<br><br>Benefits of e-commerce or e-business <i>to an economy.</i><br><br>Challenges of e-commerce or e-business <i>in an economy.</i> |

### Suggested Teaching and Learning Activities

*To facilitate students' attainment of the objectives of this Section, teachers/facilitators are encouraged to engage students in the teaching and learning activities below.*

1. *Use appropriate scenarios like the one below, as examples of economic activities, to illustrate the possible social and economic benefits to be derived from the free movement of capital, goods and labour within CARICOM.*

*A Barbadian national living and working in St. Vincent sends home most of his income to help take care of his family. Discuss how arrangements and approaches such as CARICOM assist Caribbean economies.*

2. *Engage students in activities where they use economic data such as GDP and GNP to stimulate discussions on the economic implications of globalisation, trade arrangements, and international bodies such as World Bank, IMF, CSME. The appropriate use of economics jargon must be encouraged.*

3. *Teacher will outline examples of economic occurrences such as, 'There has been a significant increase in the number of items made in other Caribbean countries on the supermarket shelves in Jamaica.'*

*Ask students to suggest possible reasons for each example, and the teacher should also probe students as necessary, to encourage discussions on the implications of the occurrence both for the country of origin of the products as well as for Jamaica. The appropriate use of economics jargon must be encouraged.*

## **SECTION 8: CARIBBEAN ECONOMIES IN A GLOBAL ENVIRONMENT (cont'd)**

### **RESOURCES**

- Bahaw, E. and Mollick, W.*                      *Comprehensive Economics for CSEC.* Caribbean Educational Publishers, 2008.
- Greenwood, R. and Cook, T.*                      *Economics for CSEC.* Cambridge University Press, 2007.
- Robinson, K. and Cooke, N.*                      *Economics for CSEC with SBA, Study Guide and Exercises.* Carlong Publishers 2011.

## ◆ GUIDELINES TO TEACHERS FOR THE CONDUCT OF SCHOOL-BASED ASSESSMENT IN BUSINESS STUDIES (PRINCIPLES OF ACCOUNTS, PRINCIPLES OF BUSINESS AND ECONOMICS)

School-Based Assessment (SBA) 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 associated with the subject. The activities for the School-Based Assessment are based on the syllabus and should form part of the learning activities to enable the student to achieve the objectives of the syllabus.

During this course of study, students obtain marks for the competencies they develop and demonstrate in undertaking their SBA assignments. 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 the selection of assignments that are valid for the purpose of School-Based Assessment. The guidelines provided for the assessment of these assignments are intended to assist teachers in awarding marks that are reliable estimates of the achievement of students in the School-Based Assessment component of the course. In order to ensure that the scores awarded by the teachers are consistent with the Caribbean Examinations Council's standards, the Council undertakes the moderation of a sample of the SBA assignments submitted by the school.

School-Based Assessment provides an opportunity to individualise a part of the curriculum to meet the needs and interests of students. It facilitates feedback to the student at various stages of the experience. This helps to build the self-confidence of students as they proceed with their studies. The SBA also facilitates the development of *research and analytical skills*, and critical skills and abilities, emphasised by the subject and enhances the validity of the examination scores.

### RESEARCH PROJECT

The School-Based Assessment component of the *syllabuses in Business Studies* is a single guided research project for school candidates. The project should involve the manipulation of research data *including data collection, analysis and interpretation*. All activities selected must be within the law and must lend themselves to the collection of business data and application of business principles identified in the mark scheme.

*Students are required to investigate a topic, issue or problem in a business related area of study (Principles of Accounts, Principles of Business and Economics). Students should:*

1. *identify the issue, topic or problem to be investigated;*
2. *discuss the background of the issue, topic or problem;*
3. *state the objective of the investigation;*
4. *describe the methodology and instruments used to collect data;*
5. *present and analyse the data;*

6. *state the conclusion based on findings;*
7. *make recommendations (at least two) based on the findings;*
8. *acknowledge sources (bibliography); and,*
9. *include appendices: questionnaire, source documents, diagrams, charts, interview questions and statistical data.*

*Examples of possible organisations and areas for research:*

1. *school's cafeteria and stationery shop;*
2. *snack shop at school events;*
3. *school projects (for Agriculture Science, Home Economics, TVET and Junior Achievement programmes);*
4. *income and expenditure statements;*
5. *business plans;*
6. *published financial reports such as those found in the business section of local newspapers, statistical reports including 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, budget speeches of Ministers of Finance or reviews of estimates of income and expenditure from Ministries of Finance;*
7. *economic information available on the internet (for example e-commerce);*
8. *events coordinated by students such as concerts and fashion shows; and,*
9. *sporting and other cultural clubs at school or in the community.*

## **SBA REQUIREMENTS**

*Every candidate who enters for the **CSEC**<sup>®</sup> Economics examination must submit a project report. Students may work individually or in groups to gather the data. Each candidate must be identified on the report. The report should not exceed **1,000** words (not including appendices).*

*Wherever a report exceeds the maximum length by more than 10 per cent, the teacher must impose a penalty of 10 per cent of the score achieved on the project. On the report, the teacher should clearly indicate the original score – that is, the score before the deduction is made – the marks which are to be deducted, and the final score awarded after the deduction has been made.*

*Only the final score is to be indicated on the record sheets which are submitted to **CXC**<sup>®</sup> electronically via the SBA data capture module on the Online Registration System (ORS) on the Council's website. **Students doing more than one subject in the Business cognate group (Principles of Accounts,***

***Principles of Business, and Economics) should submit one SBA report based on a topic relevant to the subjects being taken by the student and which allows the student to utilise skills that are common and relevant to the field of Business.***

## **PROJECT REPORTS**

A student's report should be presented *electronically and* should comprise the following in the order prescribed below.

1. *Table of Contents*
2. *Topic, Issue or Problem*
3. *Objective of the project – (The objective should be related to the project topic, issue or problem and NOT the SBA)*
4. *Background to OR overview of the topic, issue or problem*
5. *Methodology – Data collection and instrumentation*
6. *Presentation and Analysis of Data*
7. *Conclusion*
8. *Recommendations*
9. *Bibliography*
10. *Appendices*

## **MARK SCHEME FOR RESEARCH PROJECTS**

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

<i>Knowledge and Comprehension (KC)</i>	-	10 marks
<i>Application (A)</i>	-	20 marks
<i>Interpretation and Analysis (IA)</i>	-	10 marks

## MARK SCHEME FOR SCHOOL-BASED ASSESSMENT

PROJECT AREAS	PROFILE DISTRIBUTION			TOTAL
	Knowledge and Comprehension	Application	Interpretation and Analysis	
<b>Table of Contents</b> <ul style="list-style-type: none"> <li>Table of contents accurately links pages to content – <b>1 mark (KC)</b></li> </ul>	1			1
<b>Topic/Issue/Problem</b> <ul style="list-style-type: none"> <li>Topic/issue/problem is clearly stated – <b>1 mark (KC)</b></li> <li>Topic/issue/problem accurately describes the project – <b>1 mark (KC)</b></li> </ul>	2			2
<b>Objectives</b> <ul style="list-style-type: none"> <li>Objectives are clearly stated and linked to the topic/issue/problem – <b>1 mark (A)</b></li> <li>Objectives are realistic – <b>1 mark (A)</b></li> </ul>		2		2
<b>Background/Overview</b> <ul style="list-style-type: none"> <li>Includes a description of the topic/issue/problem                             <ul style="list-style-type: none"> <li>Description includes the history – <b>1 mark (KC)</b></li> <li>Description includes the development – <b>1 mark (KC)</b></li> </ul> </li> <li>Establishes the need for research                             <ul style="list-style-type: none"> <li>Why/how is the topic/issue/problem important to student – <b>1 mark (A)</b></li> <li>Impact of topic/issue/problem on society – <b>1 mark (A)</b></li> </ul> </li> </ul>	2	2		4
<b>Methodology</b> <ul style="list-style-type: none"> <li>Data collection instrument clearly described – <b>1–2 marks (KC)</b></li> <li>Data collection instrument appropriate for type of data – <b>1 mark (A)</b></li> <li>Included at least two instruments of data collection – <b>1 mark (A)</b></li> <li>Method of data collection clearly described – <b>1–2 marks (A)</b></li> <li>Method of data collection adequately justified – <b>1–2 marks (IA)</b></li> <li>Limitations of data collection method clearly stated – <b>1–2 marks (A)</b></li> </ul>	2	6	2	10

PROJECT AREAS	PROFILE DISTRIBUTION			TOTAL
	Knowledge and Comprehension	Application	Interpretation and Analysis	
<b>Presentation and Analysis of Data</b> <ul style="list-style-type: none"> <li>Data is presented in appropriate form using tables, charts, graphs – <b>1–2 marks (KC)</b></li> <li>Data presented are relevant to the objectives of the project – <b>1–2 marks (A)</b></li> <li>Data is adequately analysed – <b>1–2 marks (A)</b></li> <li>Data is analysed using appropriate statistics – mean, median, mode – <b>1–2 marks (IA)</b></li> <li>Findings are consistent with analyses – <b>1–2 marks (IA)</b></li> </ul>	2	4	4	10
<b>Conclusion</b> <ul style="list-style-type: none"> <li>Conclusion succinctly summarises the project – <b>1–2 marks (A)</b></li> <li>Conclusion is logical and based on findings – <b>1–2 marks (A)</b></li> </ul>		4		4
<b>Recommendation</b> <ul style="list-style-type: none"> <li>Recommendations are realistic and informed by findings – <b>1–2 marks (IA)</b></li> <li>Recommendations contribute to a better understanding of the topic/issue/problem – <b>1–2 marks (IA)</b></li> </ul>			4	4
<b>Bibliography</b> Bibliography contains names of authors, name of publisher(s), names and dates of publication, and are written in alphabetical order – <b>1 mark (KC)</b>	1			1
<b>Overall presentation</b> <ul style="list-style-type: none"> <li>Consistently uses correct spelling and grammar – <b>1 mark (A)</b></li> <li>Expression of ideas logical and unambiguous – <b>1 mark (A)</b></li> </ul>		2		2
<b>TOTAL</b>	<b>10</b>	<b>20</b>	<b>10</b>	<b>40</b>

## MANAGEMENT OF THE PROJECT

School-Based Assessment tasks should be completed in the course of normal teaching time and supervised and marked by the teacher. Although some of the data collection and research work must be undertaken outside of normal school time, the teacher must be satisfied that the work submitted for assessment is the student's own work.

The teacher must:

1. provide assistance to students in the selection of projects;
2. advise students of the nature of the task, the scope and depth required to fulfill the requirements of the SBA;
3. advise on the availability of resource materials;
4. monitor students' progress by advising them of the quality of their work and by recommending ways to improve the quality of the project;
5. collect and grade students' projects;
6. keep records of students' marks and submit these, together with samples of their work, as requested by **CXC**<sup>®</sup>; and,
7. ensure that the SBA guidelines are closely followed and the marking criteria are adequately met.

## ◆ GUIDELINES TO TEACHERS FOR THE ALTERNATIVE TO SCHOOL-BASED ASSESSMENT

The Alternative to the School-Based Assessment in **CSEC**<sup>®</sup> Economics (Paper 032), is for private candidates and takes the form of a written examination in lieu of the *school-based* assessment for school candidates. This paper will be weighted in the same way as the Paper 031 (SBA) for school candidates, as shown in the table below, and will focus on the same skills as outlined for Paper 031 (See page 5).

Knowledge/ Comprehension	Application	Interpretation and Analysis	Total Marks	Percentage of Total Exam
10	20	10	40	20

Paper 032 consists of 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 economic issues and problems presented in the form of a case study. In order to prepare adequately for Paper 032, candidates are advised to practise how to conduct a research project and write a report as listed below and in the guidelines for Paper 031 on pages 38-40.

Questions will normally test candidates' ability to:

1. *Identify and select an economic issue, topic or problem to be investigated;*
2. prescribe appropriate *methodology* to investigate the issue, *topic* or problem;
3. *describe appropriate instrument(s) to gather data relevant to the issue, topic or problem;*
4. present data in qualitative and/or quantitative formats (graphs, charts, tables, maps, diagrams as well as prose);

5. explain data presented in task (3);
6. interpret data as they relate to the problem or issue in task (1);
7. state findings (at least three statements); and,
8. make two or more recommendations based on findings. *These should include* measures to implement them.

**Please note that candidates taking Paper 032 are NOT required to submit *a report on a project*.**

## ◆ GLOSSARY OF *ECONOMIC* TERMS

TERM	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.
<i>Economic Development</i>	<i>A qualitative concept which includes economic growth, but is more than growth as it includes the overall increase in the standard of living and a reduction in poverty.</i>
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 organisation 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 organisations 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.
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.

TERM	CONCEPT
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 organisation that benefits from a public good, but neither provides it nor contributes to the cost of collective provision.
Functions of Money	These refer to uses 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 everyone 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.
Time Deposits	Also referred to as term deposits. This is an interest-bearing deposit that can be legally withdrawn only after notice is given. (To avoid confusion, just define Term Deposits rather than linking it specifically to being synonymous with Savings deposits. This is not standard across the banking sector. Some savings deposits are not term deposits.)
Scarcity	<b>Scarcity</b> needs to be defined as the central problem in Economics arising from economic resources being unable to meet unlimited wants. The current definition is more suited to a shortage.

<b>TERM</b>	<b>CONCEPT</b>
	N.B. A shortage can be solved by adjusting the market but scarcity can never be solved only managed as the problem of unlimited wants will always be a factor in all economies.
Shortage	When the demand for a good or service exceeds the available supply.
Specialisation	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.  <b>Discretionary Spending</b> – 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 organisations.  <b>Mandatory Spending</b> – 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 which 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.  <b>Direct tax</b> – 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.  <b>Indirect tax</b> – 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 EXAMINATION TERMS

<u>WORDS/TERMS</u>	<u>DEFINITIONS/MEANINGS</u>
account for	present reason for action or event
annotate	add a brief note to a label
apply	use knowledge of principles to solve problems
assess	present reasons for the importance of particular structures, relationships or process
calculate	arrive at the solution to a numerical problem
classify	divide into groups according to observable characteristics
comment	state opinion or view with supporting reasons
compare	state similarities and differences
construct	use a specific format to make and draw a graph, histogram, pie chart or other representation using data or material provided or drawn from practical investigations, build (for example, a model), draw scale diagram
deduce	make a logical connection between two or more pieces of information; use data to arrive at a conclusion
define	state concisely the meaning of a word or term
demonstrate	show; direct attention to...
describe	provide detailed factual information of the appearance or arrangement of a specific structure or a sequence of a specific process
determine	find the value of a physical quantity
design	plan and present with appropriate practical detail
develop	expand or elaborate an idea or argument with supporting reasons
diagram	simplified representation showing the relationship between components.
differentiate	state or explain briefly those differences between or among items which can be used to define the items or place them into separate categories.
discuss	present reasoned argument; consider points both for and against; explain the relative merits of a case
draw	make a line representation from specimens or apparatus which shows an accurate relation between the parts
estimate	make an approximate quantitative judgement

<b><u>WORDS/TERMS</u></b>	<b><u>DEFINITIONS/MEANINGS</u></b>
evaluate	weigh evidence and make judgements based on given criteria
explain	give reasons based on recall; account for
find	locate a feature or obtain as from a graph
formulate	devise a hypothesis
identify	name or point out specific components or features
illustrate	show clearly by using appropriate examples or diagrams, sketches
investigate	use simple systematic procedures to observe, record data and draw logical conclusions
label	add names to identify structures or parts indicated by pointers
list	itemise without detail
measure	take accurate quantitative readings using appropriate instruments
name	give only the name of
note	write down observations
observe	pay attention to details which characterise a specimen, reaction or change taking place; to examine and note scientifically
outline	Give basic steps only
plan	prepare to conduct an investigation
predict	use information provided to arrive at a likely conclusion or suggest a possible outcome
record	write an accurate description of the full range of observations made during a given procedure
relate	show connections between; explain how one set of facts or data depend on others or are determined by them
sketch	make a simple freehand diagram showing relevant proportions and any important details
state	provide factual information in concise terms outlining explanations
suggest	offer an explanation deduced from information provided or previous knowledge. (... a hypothesis; provide a generalisation which offers a likely explanation for a set of data or observations.)
test	to find out, following set procedures

# CARIBBEAN EXAMINATIONS COUNCIL

Caribbean Secondary Education Certificate®  
CSEC®



## ECONOMICS

### Specimen Papers and Mark Schemes/Keys

**Specimen Paper:** - Paper 01  
Paper 02  
Paper 032

**Mark Scheme and Key:** - Paper 01  
Paper 02  
Paper 032



CARIBBEAN EXAMINATIONS COUNCIL  
CARIBBEAN SECONDARY EDUCATION CERTIFICATE®  
EXAMINATION

SPECIMEN PAPER  
MULTIPLE CHOICE QUESTIONS  
FOR

ECONOMICS

READ THE FOLLOWING DIRECTIONS CAREFULLY.

Each item in this test has four suggested answers lettered (A), (B), (C), (D). Read each item you are about to answer and decide which choice is BEST.

Sample Item

In economics, a 'free good' refers to a good

- (A) which has an infinite elasticity
- (B) whose opportunity cost is zero
- (C) that gives not satisfaction to the consumer
- (D) that is given away by the retailer to promote the sale of another good

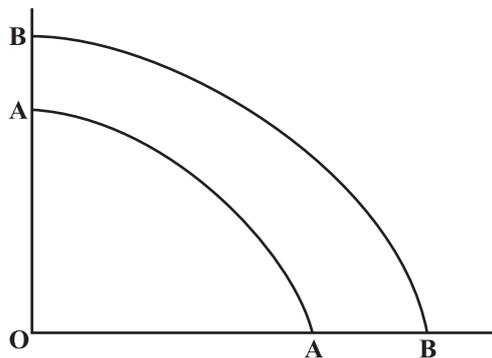
Sample Answer



The best answer to this item is "whose opportunity cost is zero", so answer space (B) has been shaded.

1. Economics may be described as a “social science” since it deals with
- (A) the economy
  - (B) the environment
  - (C) human behaviour
  - (D) production and consumption
2. Which of the following is LEAST likely to cause a shift in the production possibility frontier?
- (A) An increase in population
  - (B) The use of unemployed resources
  - (C) An advancement in technology
  - (D) The discovery of a new natural resource

Item 3 refers to the following diagram showing a production possibility curve for a country.



3. Which of the following factors would account for the shift from AA to BB?
- (A) A decrease in taxes
  - (B) A reduction in unemployment
  - (C) The introduction of subsidies for industries
  - (D) Technological advances in the industries of the country

4. Which of the following describes the opportunity cost to an economy of building a new airport?
- (A) The extra cost of providing equipment and managers to operate the airport efficiently.
  - (B) The closure of the airport it replaces.
  - (C) The goods and services that could have been produced instead of the airport.
  - (D) The increase in taxation to the citizens to pay for the new airport.
5. Which of the following statements about the factors of production is correct?
- (A) Land is always freely available.
  - (B) Labour is rewarded with profit.
  - (C) All natural resources are known as enterprise.
  - (D) Capital is produced by factors of production.
6. Individuals who speculate on rising share prices at the stock exchange are referred to as
- (A) stags
  - (B) bulls
  - (C) bears
  - (D) brokers
7. An essential feature of a capital good is that it
- (A) must be replaced frequently
  - (B) is used to produce other goods
  - (C) must be purchased through a loan
  - (D) is consumed directly by the consumer

GO ON TO THE NEXT PAGE

8. In the production process of a firm, capital can be substituted for labour. If government introduces a subsidy on capital investment, how will this affect the quantities of each of the factors employed?
- (A) Less capital and less labour will be employed.
  - (B) Less capital and more labour will be employed.
  - (C) More capital and more labour will be employed.
  - (D) More capital and less labour will be employed.
9. Which of the following is considered a good?
- (A) A visit to the doctor
  - (B) A commercial bank paying your utility bill on your behalf
  - (C) An operator-assisted telephone call
  - (D) A soft drink purchased at the school's cafeteria
10. What type of economic system exists in MOST CARICOM countries?
- (A) Mixed
  - (B) Socialist
  - (C) Capitalist
  - (D) Centrally planned
11. The following extract appeared in the daily newspaper of a country:
- “Government has decided to increase funding to help promote trade in rural areas by helping small independent retail outlets.”*
- Which sector will benefit MOST as a result of this policy?
- (A) The primary industry in the private sector
  - (B) The primary industry in the public sector
  - (C) The secondary industry in the public sector
  - (D) The tertiary industry in the private sector
12. Under which factor of production will you classify marine resources?
- (A) Land
  - (B) Labour
  - (C) Capital
  - (D) Enterprise
13. If a country has an ‘improvement in the terms of trade’ it means that
- (A) the country has a surplus of foreign currency
  - (B) the value of the country's imports is greater than its exports
  - (C) the country cannot purchase any additional imports
  - (D) the country can purchase more imports than previously with the same quantum of exports

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14. In a mixed economy, resources are allocated by
- (A) the firms only
  - (B) consumers only
  - (C) the government only
  - (D) the government, firms and consumers

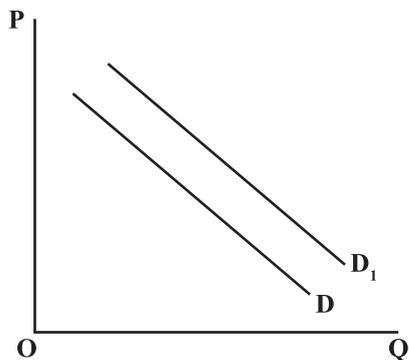
15. The following statement represents a part of the Balance of Payments of a country.

Current account – \$200 million  
Visible balance + \$196 million  
Invisible balance – \$4 million

Which of the following balances must be included in order to complete the country's Balance of Payments?

- (A) The Labour
- (B) The Capital
- (C) The Investment
- (D) The Government

Item 16 refers to the following graph of a demand curve.



16. Which of the following factors will cause the demand curve to shift from D to D<sub>1</sub>?
- (A) A rise in price
  - (B) A fall in income
  - (C) A rise in the price of a substitute
  - (D) A fall in the price of a substitute

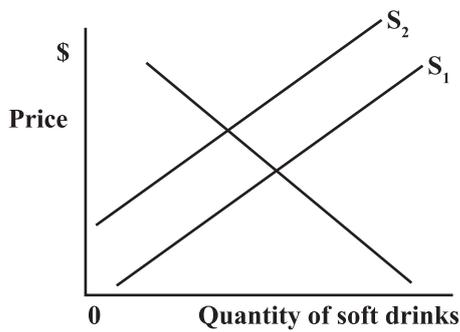
17. The table below shows consumer behaviour with respect to tins of sardines.

Price (\$)	Quantity of Tins
2	6
3	8

The price elasticity of demand for sardines as the price increases is

- (A) – .75
  - (B) – .66
  - (C) – 1.5
  - (D) – 1.3
18. A movement along the demand curve results from a change in
- (A) price
  - (B) taste
  - (C) supply
  - (D) income
19. Which of the following could increase the price elasticity of supply of a product?
- (A) An increase in income
  - (B) A change in consumer preferences
  - (C) An increase in the price of complements
  - (D) An increase in the time period under consideration

**Item 20** refers to the following diagram which shows the market for soft drinks.



20. The supply curve shifts from  $S_1$  to  $S_2$ . What can explain this change?
- (A) An increase in incomes
  - (B) A fall in the price of sugar
  - (C) An increase in the advertising of soft drinks
  - (D) A rise in the wages of workers in the soft drink industry
21. A situation where quantity demand exceeds quantity supplied at a given price indicates
- (A) surplus
  - (B) shortage
  - (C) equilibrium
  - (D) excess supply

**Item 22** refers to the following demand and supply schedule.

Price (\$)	$Q_D$	$Q_S$
5	10	2
6	8	4
7	6	6
8	4	8
9	2	10

22. At what price will equilibrium in the market occur?
- (A) \$5
  - (B) \$7
  - (C) \$8
  - (D) \$9
23. If the price of Good X rises and as a result there is a fall in the demand for Good Y, then
- (A) Goods X and Y are substitutes
  - (B) the demand for Good Y is price inelastic
  - (C) the demand for Good Y is price elastic
  - (D) Goods X and Y are complements

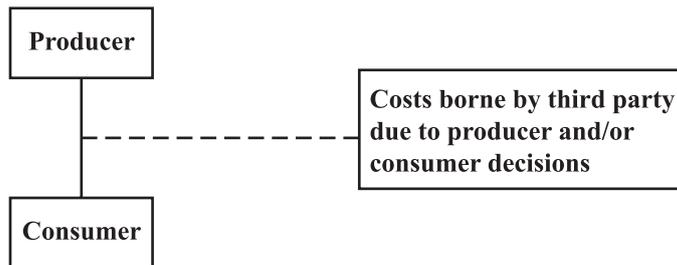
**Item 24** refers to the following table which shows the output and cost for a firm.

Total Output	Average Cost \$	Total Cost \$
500	200.00	1000.00
1000	150.00	1500.00
1500	125.00	1875.00

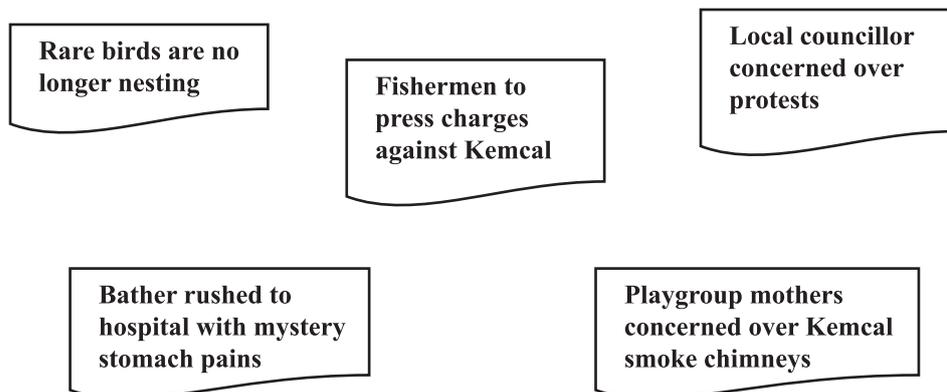
24. Based on the table, the firm is experiencing
- (A) increasing cost
  - (B) increasing demand
  - (C) economies of scale
  - (D) economic growth

25. When a country changes from a planned economy to a market economy, there will necessarily be an increase in
- (A) choice for consumers
  - (B) price control of luxury items
  - (C) rationing of basic foodstuff
  - (D) government subsidies for industry

Item 26 refers to the following diagram.



26. Which of the following economic concepts does the diagram represent?
- (A) Scarcity
  - (B) Positive externality
  - (C) Imperfect information
  - (D) Negative externality
27. Kemcal PLC operates on Sunny Island. The following are newspaper captions from a current dispute.



What type of market failure does the above situation represent?

- (A) Monopoly
- (B) Imperfect information
- (C) Negative externality
- (D) Positive externality

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28. A market structure in which there are many buyers and many sellers and where the products are identified by their brand name is known as

- (A) a monopoly
- (B) a perfect competition
- (C) a monopolistic competition
- (D) an oligopoly

29. Which of the following factors account for some CARICOM countries having a large debt burden?

- I. Their export base is too narrow.
- II. The price of oil as a form of energy is increasing.
- III. Interest payments are larger than export earnings.

- (A) I and II only
- (B) I and III only
- (C) II and III only
- (D) I, II and III

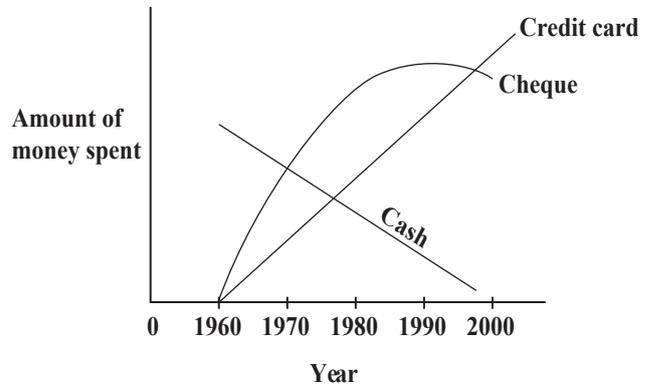
30. Hybrid electric cars are more expensive than cars which use gasoline. However, a major feature of electric cars is that they are pollution free. Which costs will fall as consumers start using electric cars?

- (A) Total fixed cost
- (B) Marginal cost
- (C) Private cost
- (D) External cost

31. Which of the following groups makes loanable funds available from savers to spenders for consumption and investment?

- (A) The government
- (B) The financial sector
- (C) The foreign trade sector
- (D) The chamber of commerce

Item 32 refers to the following graph which shows the amount of money spent in an economy during the period 1960–2000, using cash, cheque or credit card.



32. From this graph, it may be concluded that during the period 1960–2000

- (A) there was an increase in money spent using cash
- (B) cheques had become inconvenient as a means of making payment
- (C) fewer people were accepting cheques
- (D) the use of credit cards was increasing

33. Justin purchases shares in the credit union with one half of his salary every month in order to later purchase a sports car.

Which function of money is this half of his salary performing?

- (A) A store of value
- (B) A medium of exchange
- (C) A standard of deferred payment
- (D) A standard of deferred exchange

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34. Rob and Steele joined an underground group that was printing counterfeit money.

Which quality of money is the group eroding?

- (A) Durability
- (B) Portability
- (C) Authenticity
- (D) Acceptability

36. “Its most significant function is that of credit creation.”

To which of the following does this statement refer?

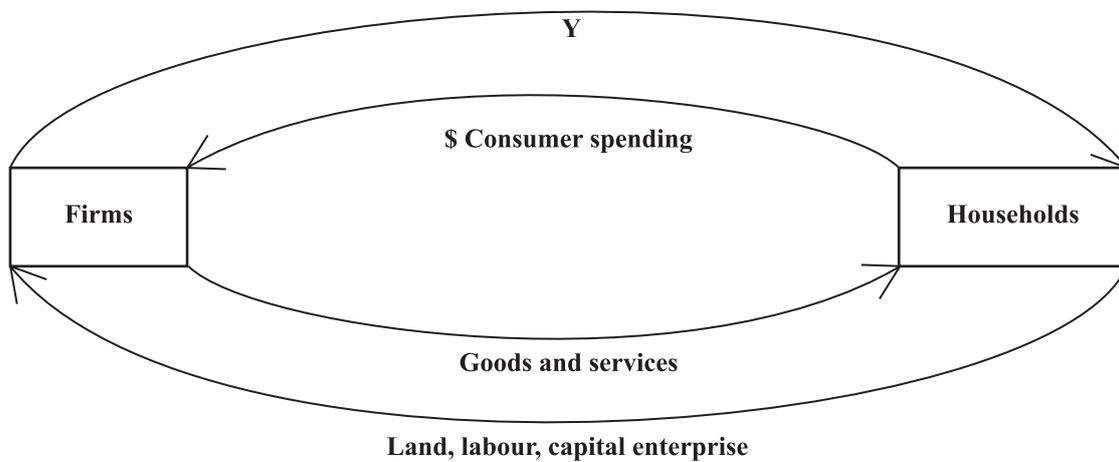
- (A) A central bank
- (B) The World Bank
- (C) A commercial bank
- (D) The International Monetary Fund

35. Which of the following must remain stable if money is to successfully function as a store of value?

- (A) Prices
- (B) Employment
- (C) The exchange rate
- (D) The rate of interest

---

Item 37 refers to the following diagram which shows the circular flow of factor incomes.



37. What is the MOST appropriate label for Y?

- (A) Money supply
- (B) Value of imports
- (C) Government expenditure
- (D) Rent, wages, interest profit

38. The Governor of the Central Bank of Trinidad and Tobago is concerned with the level of inflation in the country caused by excessive consumer spending. He therefore increases the rate of interest on borrowing.

This is an example of

- (A) deflation
- (B) monetary policy
- (C) public finance
- (D) fixed policy

Item 39 refers to the following table which shows data for Sea Island.

Year	Annual Percentage Increase in GDP	Annual Decline in Inflation Rate
2012	1.4	3.5
2013	2.3	3.2
2014	0.5	2.0
2015	0.3	1.8
2016	0.1	1.4

39. Given that other factors do not change, what can be concluded about the standard of living of the citizens of Sea Island?

- (A) It has declined.
- (B) It has improved.
- (C) It has not improved.
- (D) It has remained steady.

40. Henry has been unemployed for three months although the economy is in a boom. Recently, he turned down a job which paid a salary that is slightly above the unemployment benefits he receives.

This is an example of

- (A) real unemployment
- (B) structured unemployment
- (C) real-wage unemployment
- (D) cyclical unemployment

41. Economic growth is measured by

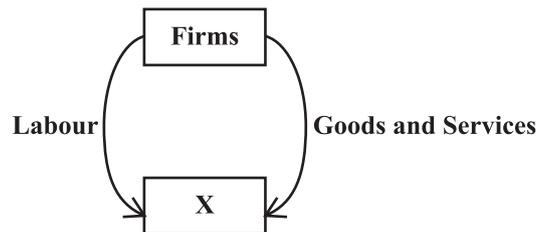
- (A) infrastructural changes
- (B) changes in real national income
- (C) changes in gross domestic product
- (D) accumulation of capital goods

42. There was no significant change in the value of exports minus imports in the country over the last year.

Which government objective was achieved?

- (A) Price stability
- (B) Balance of payment stability
- (C) Full employment
- (D) Economic growth

Item 43 refers to the following diagram of an economic model.



43. What component is missing from the economic model?

- (A) Schools
- (B) Tourists
- (C) Households
- (D) Government

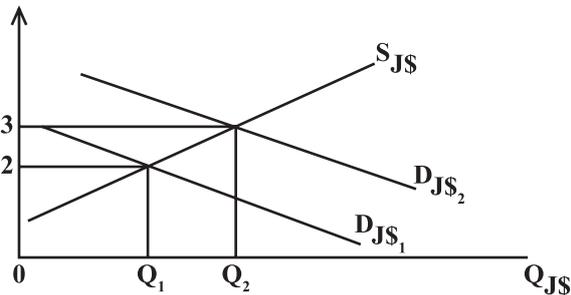
44. Which of the following is a monetary measure that could be used to increase employment?

- (A) Reducing interest rates
- (B) Increasing interest rates
- (C) Reducing government expenditure
- (D) Increasing government expenditure

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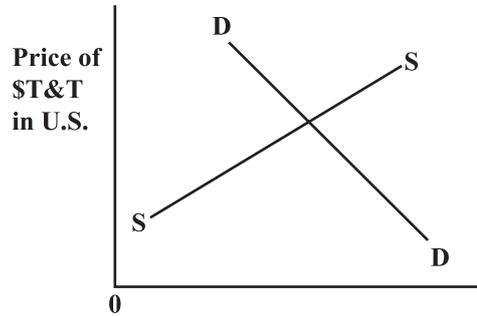
45. A monetary record of all international transactions between one country and the rest of the world is known as the
- (A) balance of trade
  - (B) international trade
  - (C) balance of payments
  - (D) balance on the current account

Item 46 refers to the following diagram which shows the demand for and supply of the Jamaican dollar.



46. In a floating exchange rate system, what conclusion can be drawn about the Jamaican dollar?
- (A) Devalued
  - (B) Revalued
  - (C) Depreciated
  - (D) Appreciated
47. Which of the following BEST defines a country's balance of trade?
- (A) The difference between the value of goods and services imported and exported
  - (B) The difference between the value of goods imported and exported
  - (C) The monetary transactions a country has with the rest of the world
  - (D) The difference between total inflows and total outflows in foreign trade

Item 48 refers to the following diagram which shows the demand and supply curves of the market for the Trinidad and Tobago dollar priced in US dollars.



48. If there is an increase in demand for imports from the USA by Trinidad and Tobago, how will this affect the curves in the diagram above?
- (A) The demand curve will shift to the right.
  - (B) The supply curve will shift to the left.
  - (C) The supply curve will shift to the right.
  - (D) The demand curve will shift to the left.
49. Under a freely floating exchange rate system, an appreciation of the Trinidad and Tobago (T&T) dollar is likely to be caused by
- (A) a rise in Guyana's interest rates
  - (B) an increase in Germany's tourist expenditure in Tobago
  - (C) an increase in the speculative rates of Trinidad and Tobago's currency
  - (D) the purchase by a Trinidad and Tobago company of a controlling interest in a company in Germany

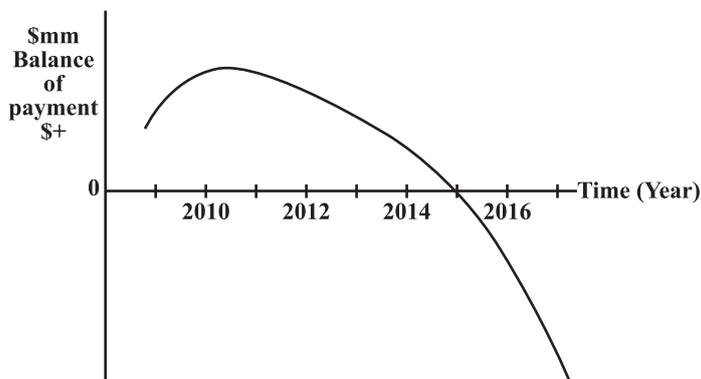
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Item 50 refers to the following statement.

“Expenditure-reducing measures may be implemented to improve a country’s current account balance.”

50. Which of the following is an example of an expenditure-reducing policy?
- (A) Devaluation
  - (B) A credit squeeze
  - (C) Granting of export subsidies
  - (D) Imposition of import controls

Item 51 refers to the following diagram, which illustrates the current balance of payments position of country Y over a period of time.



51. Which of the following has happened to the country’s current balance of payments position during the period shown?
- (A) It was in deficit throughout the period.
  - (B) There was a surplus throughout the period.
  - (C) It moved from being in surplus to a deficit.
  - (D) It moved from being in deficit to a surplus.

- 
52. The balance on visible items is +\$200 million.

This is a surplus on the

- (A) capital account
- (B) balance of trade
- (C) current account
- (D) balance of payments

53. Which of the following is a benefit of globalization to consumers?

- (A) Access to new and improved technology
- (B) Lower prices due to increased competition
- (C) Increased competition leading to closure of firms
- (D) Economies of scale from increased production

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54. Which of the following is an economic/trade agreement including only Caribbean members?
- (A) ACP
  - (B) CSME
  - (C) CARIBCAN
  - (D) FTAA
55. Which of the following is NOT a feature of Caribbean economies?
- (A) High levels of unemployment
  - (B) Negative growth rates
  - (C) Mixed economies with large private sectors
  - (D) High dependency on primary products
56. Globalization has increased the opportunity for Caribbean firms to expand their operations and enjoy economies of scale. This means that firms can now
- (A) produce a greater variety of goods
  - (B) incur lower unit costs of production
  - (C) earn more foreign exchange
  - (D) employ more workers
57. Although multinational corporations have generally been welcomed in the Caribbean, they have been severely criticized for
- (A) increasing levels of employment
  - (B) introducing the latest technology
  - (C) increasing levels of foreign direct investment
  - (D) repatriating a sizeable proportion of their profits
58. Caribbean countries today are reducing government intervention and allowing greater use of market forces in their economies. This strategy is known as
- (A) globalization
  - (B) privatization
  - (C) protectionism
  - (D) economic integration
59. A large American firm is encouraged to start up a business in Barbados. This is an example of
- (A) free trade area
  - (B) economic integration
  - (C) foreign direct investment
  - (D) Caribbean Basin Initiative
60. Which of the following is a major limitation on the ability of Caribbean producers to take advantage of the benefits of a larger international market through globalization?
- (A) Economies of scale
  - (B) Easier access to new technology
  - (C) Greater efficiency due to new technology
  - (D) Protectionist policies in developed countries

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<b>Item No.</b>	<b>Key</b>	<b>Syllabus Reference</b>	<b>Profile</b>		<b>Item No.</b>	<b>Key</b>	<b>Syllabus Reference</b>	<b>Profile</b>
1	C	1.1	1		31	B	5.1	1
2	B	1.6	1		32	D	5.3	3
3	D	1.6	2		33	A	5.3	3
4	C	1.5	3		34	C	5.3	3
5	C	1.3	1		35	A	5.3	2
6	D	1.5	3		36	C	5.6	2
7	A	2.9	1		37	B	6.4	2
8	D	2.2	3		38	D	6.1	2
9	D	2.7	1		39	B	6.5	3
10	A	2.9	1		40	C	6.11	3
11	D	2.3	3		41	B	6.8	1
12	A	2.2	1		42	B	6.2	2
13	D	4.7	2		43	C	6.4	2
14	A	2.2	2		44	A	6.1	1
15	D	3.9	2		45	B	7.1	1
16	C	3.8	2		46	D	7.6	1
17	B	3.9	3		47	B	7.3	2
18	A	3.1	1		48	C	7.6	2
19	D	3.13	2		49	B	7.6	2
20	D	3.7	3		50	B	7.5	1
21	B	3.6	2		51	C	7.4	1
22	B	3.6	3		52	B	7.3	1
23	D	3.9	2		53	A	8.3	2
24	C	3.2	3		54	B	8.3	1
25	B	4.7	1		55	C	8.1	3
26	B	4.5	2		56	B	8.2	3
27	C	4.5	3		57	D	8.2	3
28	C	4.2	1		58	B	8.2	3
29	C	4.2	2		59	C	8.2	1
30	D	4.6	3		60	D	8.2	3

Profile 1 – Knowledge and Comprehension

Profile 2 – Application

Profile 3 – Interpretation and Analysis



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“\*”BarcodeArea”\*”  
Front Page Bar Code

SPECIMEN

FILL IN ALL THE INFORMATION REQUESTED CLEARLY IN CAPITAL LETTERS.

TEST CODE 

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SUBJECT ECONOMICS – Paper 02

PROFICIENCY GENERAL

REGISTRATION NUMBER 

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SCHOOL/CENTRE NUMBER  

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NAME OF SCHOOL/CENTRE

CANDIDATE’S FULL NAME (FIRST, MIDDLE, LAST)

DATE OF BIRTH 

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TEST CODE **01216020/SPEC**

**SPEC 2019/01216020**



MAY/JUNE 2019

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**ECONOMICS**

**SPECIMEN PAPER**

**Paper 02 – General Proficiency**

*2 hours*

**READ THE FOLLOWING INSTRUCTIONS CAREFULLY.**

1. This paper consists of FIVE questions. Answer ALL the questions.
2. Write your answers in the spaces provided in this booklet.
3. Do NOT write in the margins.
4. You may use a silent, non-programmable calculator to answer questions, but ALL necessary working should be clearly shown.
5. If you need to rewrite any answer and there is not enough space to do so on the original page, you must use the extra lined page(s) provided at the back of this booklet. **Remember to draw a line through your original answer.**
6. **If you use the extra page(s) you MUST write the question number clearly in the box provided at the top of the extra page(s) and, where relevant, include the question part beside the answer.**

**DO NOT TURN THIS PAGE UNTIL YOU ARE TOLD TO DO SO.**

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01216020/F/SPEC 2019

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**Answer ALL questions.**

1. (a) Define EACH of the following terms:

(i) Economics

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**(2 marks)**

(ii) Production possibility curve

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**(2 marks)**

(iii) Scarcity

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**(2 marks)**

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(c) Discuss, using an illustration, how the production possibility curve can be used to show the following:

(i) Increasing opportunity cost

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**(3 marks)**

(i) Inefficiency

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**(3 marks)**

**Total 20 marks**

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- (d) Explain using a diagram, the relationship between 'average variable cost' and 'marginal cost'.

**(6 marks)**

**Total 20 marks**

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3. (a) Define the term 'supply curve'.

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(2 marks)

(b) List FOUR factors that would cause the supply curve to shift.

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(4 marks)

(c) Explain the impact on the demand curve for bananas, when the following occur:

(i) The price of bananas increases

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(4 marks)

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(ii) The price of figs decreases

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**(4 marks)**

(d) Discuss TWO factors that would cause the equilibrium price and quantity to fall.

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**(6 marks)**

**Total 20 marks**

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4. (a) Define the term “money” .

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(2 marks)

(b) List FOUR types of financial institutions.

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(4 marks)

(c) Describe TWO functions of money.

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(8 marks)

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(d) Explain how the Central Bank uses the following to reduce the money supply in the Economy:

(i) The discount rate

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**(3 marks)**

(ii) The reserve requirement

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**(3 marks)**

**Total 20 marks**

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5. (a) Define the term 'balance of trade'.

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(2 marks)

(b) List FOUR entries, other than balance of trade, that would be reordered in the current account of the balance of payments.

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(4 marks)

(c) Describe TWO measures that can be used to reduce a deficit on the balance of payments.

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(8 marks)

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- (d) Draw a diagram of the circular flow of income showing the following:
- (i) The relevant entries which would constitute this flow
  - (ii) The direction of flow income

(6 marks)

Total 20 marks

END OF TEST

IF YOU FINISH BEFORE TIME IS CALLED, CHECK YOUR WORK ON THIS TEST.

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ECONOMICS

SPECIMEN PAPER

PAPER 02 GENERAL PROFICIENCY

KEYS AND MARK SCHEME

2019

**Economics**  
**Paper 02 General Proficiency**  
**Keys and Mark Scheme**

Q	SO	Key	Mark allocation	P <sub>1</sub>	P <sub>2</sub>	P <sub>3</sub>
1(a) (i)	1.1	Economics is a social science that studies the decision making process in the allocation of scarce resources to meet the needs and wants of society.	For an accurate definition 2 marks For a partial definition 1 mark	2		
1(a) (ii)	1.6	A production possibility curve shows all possible combinations a country is capable of producing using all their resources.	For an accurate definition 2 marks For a partial definition 1 mark	2		
1(a) (iii)	1.5	Scarcity is the central economic problem arising from the numerous wants compared to the resources available to meet these wants.	For an accurate definition 2 marks For a partial definition 1 mark	2		
1(b)	1.7	Factors that consumers take into consideration may include: <ul style="list-style-type: none"> <li>- Price of the good, income earned, popularity of the good</li> <li>- Durability/Quality of the good</li> <li>- Any other feasible factor</li> </ul> Some examples of the factor explained: <ul style="list-style-type: none"> <li>- Consumers use <b>price of the good</b> as a signal to determine whether the good is worth the price being charged. According to the law of demand, consumers will tend to buy more of the good when it is cheaper.</li> <li>- The consumer's <b>income</b> determines what a consumer can afford. Consumers use their income to spend or save and in the case of spending, how many goods they can acquire with their budget.</li> </ul>	For EACH correct factor listed-1 mark EACH (2X1=2)  For an accurate outline of EACH of the four factors - 2 marks EACH For a partial outline - 1 mark EACH 4X2 marks = (8 marks)		8	

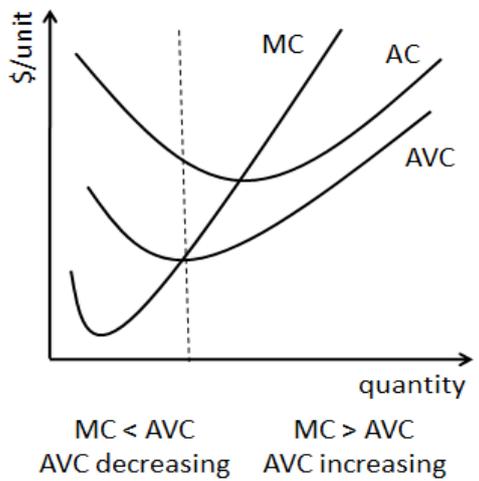
**Economics**  
**Paper 02 General Proficiency**  
**Keys and Mark Scheme**

Q	SO	Key	Mark allocation	P <sub>1</sub>	P <sub>2</sub>	P <sub>3</sub>
		<p>- Consumers tend to buy goods that are <b>popular</b> on the market. When a new product is introduced on the market through advertising, consumers are influenced to buy these products given their income constraint.</p>				
1(c) (i)	1.6	<p>Increased opportunity cost is shown on a diagram with a concave production possibility curve since the sacrifice of the good given up on the y-axis (refrigerators) gets bigger as the production of the other good on the x-axis (cars) is increased.</p>	<p>For an accurate illustration of the shape of the production possibility curve. 1 mark For labelling each axis- 1 mark For stating how the illustration shows increasing opportunity cost- 1 mark</p>			6
1(c) (ii)	1.6	<p>Inefficiency is shown on the inside of the production possibility curve where the country is not utilising all resources or actual production is below potential production (Point X).</p>	<p>For explaining the position of inefficiency on the illustration- 2 marks For accurately labelling the position on the diagram -1 mark</p>			

**Economics**  
**Paper 02 General Proficiency**  
**Keys and Mark Scheme**

Q	SO	Key	Mark allocation	P <sub>1</sub>	P <sub>2</sub>	P <sub>3</sub>
2a	2.8	Resource allocation decisions  - What to produce - How to produce - To whom distributed	For an accurate listing of EACH allocation decision- 1 mark EACH (3X1=3)	3		
2b	2.2	Factors of Production  - Land - Labour - Capital - Entrepreneurship  Differences between planned and capitalist economy	For an accurate listing of any three factors - 1 mark EACH (3X1=3)  Comparison showing differences and/or similarities	3		
2c	2.9	In a planned economy, what is produced is determined by a central planning authority who estimates the needs of the economy based on demographic levels of the population. The production process is also decided by a centrally planned authority who will distribute the inputs or factors of production to produce the amount of goods/services identified and finally it is distributed to the households by government institutions based on the number of persons in the household and their age specific requirement levels.  In a capitalist economy, what is produced is determined by a consumer who has many wants and needs. The consumer is king and guides the producer in what is to be produced. The production process is decided by the firms who seek to organise the factors of production to produce goods so as to maximise profit. A capitalist economy will distribute the goods based on their ability to pay for their goods.	4 points – 8 marks 3 points – 6 marks 2 points – 4 marks 1 point – 2 marks		8	6

**Economics**  
**Paper 02 General Proficiency**  
**Keys and Mark Scheme**

Q	SO	Key	Mark allocation	P <sub>1</sub>	P <sub>2</sub>	P <sub>3</sub>
2d	2.6	<p>Difference between average variable cost and marginal cost</p> <p>The average variable cost and the marginal costs are both U-shaped because of the law of diminishing returns in the short run and economies of scale in the long run. These situations ensure that the marginal cost will cut the average cost at its minimum point.</p>  <p style="text-align: center;"> <math>MC &lt; AVC</math>      <math>MC &gt; AVC</math>              AVC decreasing    AVC increasing         </p>	<p>For an accurate explanation of the relationship - 3 marks For a partial explanation-2 marks For a weak explanation-1 mark</p> <p>For an accurate illustration of the shape of the cost curves. 1 mark</p> <p>For an accurate illustration of the shape of the cost curves – 1 mark For labelling each axis – 1 mark For showing the MC cutting at the minimum of the avc – 1 mark</p>			6
3(a)	3.2	<p>The supply curve is a graph that shows a set of points describing what a producer would be willing to produce at given prices in a given time period.</p> <p>Factors that would cause the supply curve to shift</p>	<p>For an accurate definition - 2 marks For a partial definition - 1 mark</p> <p>For identifying EACH correct factor - 1 mark EACH</p>	2	4	
3(b)	3.3	<ul style="list-style-type: none"> <li>- An increase in the costs of production</li> <li>- The imposition of an indirect tax</li> <li>- A decrease in the number of sellers</li> <li>- Bad weather</li> <li>- A reduction in the use of technology</li> <li>- Expectations of a drop in popularity of a good</li> </ul>				



**Economics**  
**Paper 02 General Proficiency**  
**Keys and Mark Scheme**

Q	SO	Key	Mark allocation	P <sub>1</sub>	P <sub>2</sub>	P <sub>3</sub>
4(a)	5.3	<p>Money is anything that is generally acceptable as a medium of exchange.</p> <p>Types of financial institutions:</p> <ul style="list-style-type: none"> <li>- Central Bank</li> <li>- Insurance Company</li> <li>- Commercial Bank</li> <li>- Stock Exchange</li> <li>- Finance House</li> <li>- Credit Union etc.</li> </ul>	<p>For an accurate definition - 2 marks</p> <p>For a partial definition - 1 mark</p> <p>For accurately identifying a financial institution- 1 mark EACH</p> <p>For a listing of each function <b>1 mark EACH</b> <b>(2X1=2)</b></p> <p>For a well-developed explanation of each function <b>3 marks EACH</b> <b>(2X3=6)</b></p>	2		
4(b)	5.6	<p>Functions of money</p> <ul style="list-style-type: none"> <li>• <b>A medium of exchange.</b> Money is used to buy goods and services and persons are willing to accept money in exchange as payment for these goods and services.</li> <li>• <b>A unit of account</b> or standard of measure. Money is used to value an item to determine its worth. A metre is a unit of measure to measure length while money is a unit of measure to measure value.</li> <li>• <b>A store of value.</b> Money is used to save in the present by forgoing current consumption, and then retrieved to be spent at a later date. This is the saving function of money.</li> <li>• <b>A standard of deferred payment.</b> This is the borrowing function of money. Money can be borrowed in the present and repaid at a future date.</li> </ul>			8	
4(c)	5.3					
4(d)	5.5	<p>How the Central Bank uses discount rates to reduce money supply in the economy</p> <p>The discount rate is increased by the Central bank, making access to credit more expensive</p>	<p>For an accurate description of how the tool should be adjusted -1 mark EACH <b>(2X1=2)</b></p>			6

**Economics**  
**Paper 02 General Proficiency**  
**Keys and Mark Scheme**

Q	SO	Key	Mark allocation	P <sub>1</sub>	P <sub>2</sub>	P <sub>3</sub>
5(a)	7.1	<p>and forcing less borrowing and spending in the economy and reducing the money supply.</p> <p>How the Central Bank uses the reserve requirements to reduce money supply in the economy</p> <p>The reserve requirement should be increased so that commercial banks will have to hold more reserves thus reducing the amount of loans the banks are allowed to distribute thus reducing access to credit and spending in the economy. The money supply will therefore fall.</p>	<p>For an accurate explanation of how EACH of the two factors reduce the money supply - 2 marks EACH</p> <p>For a partial explanation- 1 mark EACH (2X2=4)</p>	2		
5(b)	7.3	<p>The balance of trade is the difference between the exports of goods and the import of goods.</p> <p>Entries that would be recorded</p> <ul style="list-style-type: none"> <li>- Net services</li> <li>- Interest, profits and dividends/Net investment Income</li> <li>- Transfers</li> </ul>	<p>For accurately identifying an entry in the current account- 1 mark EACH</p>	4		
5(c)	7.5	<p>Measures to reduce deficit:</p> <ul style="list-style-type: none"> <li>- Devaluation</li> <li>- Contractionary Fiscal Policy</li> <li>- Protectionist Measures</li> <li>- Theoretically devaluation reduces the relative price of exports and increases the relative price of imports causing an increase in the quantity demanded for exports and a decrease in the quantity demanded of imports which should improve the balance of payments. However the success of devaluation depends on the elasticities of demand and supply of the goods.</li> </ul>	<p>For identifying any two measure <b>1 mark EACH (2X1=2)</b></p> <p>For a well-developed description of how each measure reduces the deficit <b>3 marks EACH (2X3=6)</b></p>		8	

**Economics**  
**Paper 02 General Proficiency**  
**Keys and Mark Scheme**

Q	SO	Key	Mark allocation	P <sub>1</sub>	P <sub>2</sub>	P <sub>3</sub>
5(d)	6.4	<p>- A contractionary fiscal policy should reduce demand for imports in small open economies. This occurs when governments increase taxes causing a reduction in disposable income and spending in general and imports in particular. A reduction in government expenditure takes money out of the circular flow and contracts the economy.</p> <p>- Protectionist measures aim to reduce directly the good and services coming into the country. A tariff causes the price of imports to be higher, discouraging imports. Quotas restrict the amount of goods coming into the country directly. However these restrictions should follow the World Trade Organisation mandate.</p> <div style="text-align: center;">  </div>	<p>For an accurate illustration of the circular flow labelling: Households-1 mark Firms- 1 mark Flow of factor incomes coming from the firm - 2 marks Flow of expenditure on goods and services coming from the household - 2 marks</p>			6
<b>TOTAL MARKS</b>				<b>30</b>	<b>40</b>	<b>30</b>



CARIBBEAN EXAMINATIONS COUNCIL

CARIBBEAN SECONDARY EDUCATION CERTIFICATE®  
EXAMINATION

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Front Page Bar Code

SPECIMEN

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TEST CODE 

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SUBJECT ECONOMICS – Paper 032

PROFICIENCY GENERAL

REGISTRATION NUMBER 

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SCHOOL/CENTRE NUMBER  

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NAME OF SCHOOL/CENTRE

CANDIDATE’S FULL NAME (FIRST, MIDDLE, LAST)

DATE OF BIRTH 

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**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**

**CARRIBEAN SECONDARY EDUCATION CERTIFICATE®  
EXAMINATION**

**ECONOMICS**

**SPECIMEN PAPER**

**Paper 032 – General Proficiency**

*1 hour 30 minutes*

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. This paper consists of a case study and FIVE questions. Answer ALL questions.
2. Write your answer in the spaces provided in this answer booklet.
3. Do NOT write in the margins.
4. You are advised to take some time before you start writing to read through the paper and plan your answers.
5. Each question is worth 20 marks.
6. You may use a silent, electronic calculator to answer questions but ALL necessary working should be clearly shown.
7. If you need to rewrite any answer and there is not enough space to do so on the original page, you must use the extra line page(s) provided at the back of this booklet. **Remember to draw a line through your original answer.**
8. **If you use the extra page(s) you MUST write the question number clearly in the box provided at the top of the extra page(s) and, where relevant, include the question part beside the answer.**

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**DO NOT TURN THIS PAGE UNTIL YOU ARE TOLD TO DO SO.**

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**INSTRUCTIONS:** Read the case study and answer ALL the questions.

**CASE STUDY**

Going Green

Garbage is considered an economic “bad”. Consumers enjoy the benefits of the consumption of goods while producers enjoy the revenue from the sale of their products. The generation of garbage, however, can be a burden on the environment and impact the economy as a whole, since it can increase the cost of health care and reduce the influx of tourists.

Garbage is dumped legally at landfills or disposed of through incineration. Although safety measures are put in place, leakages can occur which can affect the water supply. Improperly disposed garbage can create unsightly mounds, cause clogged drains, increase flooding in the rainy season, and produce unpleasant odours that attract flies and rodents.

Recycling has taken on a new dimension as countries seek to pursue a “Going Green” campaign. This process involves three elements: reduce, reuse and recycle. Governments have sought to encourage private firms to invest in these areas and have also sought ways to compensate consumers who recycle.

The benefits of recycling in the Caribbean are numerous and there are markets in the developed countries that are willing to buy recycled products. We all benefit from going green.

1. (a) Differentiate between a ‘positive externality’ and a ‘negative externality’.

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**(4 marks)**

- (b) List THREE negative effects of garbage, mentioned in the case above.

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**(3 marks)**

GO ON TO THE NEXT PAGE

(c) Identify the THREE key elements in the “Going Green” campaign mentioned in the case.

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**(3 marks)**

2. (a) Using the information in the case, explain TWO benefits of recycling on the balance of payments.

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**(4 marks)**

(b) Identify the heading in the balance of payments account under which EACH benefit identified in (a) above should be recorded.

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**(2 marks)**



(b) Outline TWO ways in which the government can encourage consumers to recycle.

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**(4 marks)**

5. (a) Using the information in the case, explain how garbage has created both a negative and positive externality.

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**(6 marks)**

- (b) Explain how investment in recycling by private firms will help to improve the gross domestic product (GDP) of the country.

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**(4 marks)**

**END OF TEST**

**IF YOU FINISH BEFORE TIME IS CALLED, CHECK YOUR WORK ON THIS TEST.**

## CANDIDATE'S RECEIPT

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### INSTRUCTIONS TO CANDIDATE:

1. Fill in all the information requested clearly in capital letters.

TEST CODE: 

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SUBJECT: ECONOMICS – Paper 032

PROFICIENCY: GENERAL

REGISTRATION NUMBER:

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FULL NAME: \_\_\_\_\_  
(BLOCK LETTERS )

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

2. Ensure that this slip is detached by the Supervisor or Invigilator and given to you when you hand in this booklet.
  3. Keep it in a safe place until you have received your results.
- 

### INSTRUCTION TO SUPERVISOR/INVIGILATOR:

Sign the declaration below, detach this slip and hand it to the candidate as his/her receipt for this booklet collected by you.

I hereby acknowledge receipt of the candidate's booklet for the examination stated above.

Signature: \_\_\_\_\_  
Supervisor/Invigilator

Date: \_\_\_\_\_

01216032/K/MS/MAY/JUNE 2019



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CARIBBEAN SECONDARY EDUCATION CERTIFICATE®  
EXAMINATION

ECONOMICS

PAPER 032

KEY AND MARK SCHEME

SPECIMEN PAPER

ECONOMICS

PAPER 032

KEY AND MARK SCHEME

Question	S.O.	Key	Mark Allocation	Marks		
				KC	IA	APP
1. (a)	3.22	<p>A positive externality is a <u>beneficial effect</u> on a <u>third party</u> that <u>arises from an exchange</u> between a producer and consumer.</p> <p>A negative externality is a harmful effect on a third party that arises from an exchange between a producer and consumer.</p>	<p>For a clear and adequate differentiation - 4 marks</p> <p>For a partial differentiation 2-3 marks</p> <p>For a weak response - 1 mark</p>	4		
(b)	3.22	<p>Negative effects of garbage</p> <ul style="list-style-type: none"> <li>• Increase health care costs</li> <li>• Reduced influx of tourist</li> <li>• Affected water supply</li> <li>• Distortion of the landscape</li> <li>• Odour it generates</li> <li>• Attracts rodents and flies</li> </ul>	<p>For each correct response - 1 mark (3 × 1)</p>	3		
(c)	3.22	<p>Key elements of the campaign</p> <ul style="list-style-type: none"> <li>• Reduce</li> <li>• Reuse</li> <li>• Recycle</li> </ul>	<p>For each correct response - 1 mark (3 × 1)</p>	3		

ECONOMICS

PAPER 032

KEY AND MARK SCHEME

Question	S.O.	Key	Mark Allocation	Marks		
				KC	IA	APP
2. (a)	3.22 6, 14	<p>Benefits of recycling</p> <ul style="list-style-type: none"> <li>• An <u>increase in exports as foreign companies buy the garbage for use in their recycled products.</u></li> <li>• An <u>increase in foreign direct investment as foreign firms set up recycling plants in the Caribbean.</u></li> <li>• A <u>reduction in imported goods as locals find alternative uses for the recycled products or seek to reuse products.</u></li> <li>• A <u>greater influx of tourists as people find the location more attractive to visit thus leading to increased foreign exchange earning for the country.</u></li> </ul>	<p>For the development of each benefit related to the passage and the effect on the balance of payments - 2 marks each (2 × 2)</p> <p>For a listing of each benefit related to the passage - 1 mark each (2 × 1)</p>		4	
(b)	6.12	<ul style="list-style-type: none"> <li>• Current account for exports (balance of trade would be accepted)</li> <li>• Capital account for foreign direct investment</li> <li>• Current account or balance of trade for imports</li> <li>• Current account or balance of trade</li> </ul>	<p>For each correct response - 1 mark (2 × 1)</p>		2	

ECONOMICS

PAPER 032

KEY AND MARK SCHEME

Question	S.O.	Key	Mark Allocation	Marks		
				KC	IA	APP
3.	3.23 5.1	<p>Reasons why garbage may be considered an economic bad</p> <ul style="list-style-type: none"> <li>• Due to the garbage problem, <u>more space may have to be found as landfill sites.</u> This means that this <u>resource may not be readily available for other purposes</u> in the short-to medium term.</li> <li>• Improperly disposed garbage <u>can cause leachates to get into the ground water supply.</u> This may either result in <u>increased cost of water treatment</u> (increasing the price for water) or may result in <u>negative health impacts</u> thus <u>increasing health costs to households.</u></li> <li>• Garbage is often a <u>manifestation of inefficiency.</u> By not utilizing the by-product it means that <u>valuable resources may be wasted or over-utilised.</u></li> </ul>	<p>For a clear and adequate explanation - 3 marks each</p> <p>For a partial explanation - 2 marks each</p> <p>For a listing 1 mark each</p>		6	

ECONOMICS

PAPER 032

KEY AND MARK SCHEME

Question	S.O.	Key	Mark Allocation	Marks		
				KC	IA	APP
4. (a)	5.1	<p>Ways in which government can encourage firms to recycle</p> <ul style="list-style-type: none"> <li>The government can offer <u>subsidies</u> to the firm to encourage the firm to stay in business in the introductory stages and <u>increase the production of recycled products</u>.</li> </ul> <p>OR</p> <ul style="list-style-type: none"> <li><u>Tax incentives</u> can also be given to encourage businesses in these areas by creating a tax allowance that is <u>refunded at the end of the fiscal year</u>.</li> </ul> <p>OR</p> <ul style="list-style-type: none"> <li><u>Allow duty free concessions</u> on equipment needed to set up the recycling plant to <u>reduce the cost of set up</u> and operations.</li> </ul>	<p>For a clear and adequate explanation - 2 marks each</p> <p>For a partial explanation - 1 mark each</p> <p>OR</p> <p>For a listing of the way - 1 mark each</p>		4	
(b)	3.22	<p>How government can encourage recycling</p> <p>Government can <u>create legislation making it mandatory for businesses to pay consumers a fee for the return of recyclable products</u> to their establishment thus <u>encouraging consumers to return such items</u>.</p> <p>Governments can embark on a <u>public relations campaign</u> educating the public on the different ways that an <u>individual and country benefit from the recycling effort</u> thus <u>encouraging the consumers to take part in the effort</u>.</p>	<p>For a clear and adequate outline - 2 marks</p> <p>For a partial/weak outline - 1 mark</p>		4	

ECONOMICS

PAPER 032

KEY AND MARK SCHEME

Question	S.O.	Key	Mark Allocation	Marks		
				KC	IA	APP
5. (a)	5.4 5.5	<p>Garbage has created a negative externality as those persons living near to the dump sometimes <u>experience health related issues like asthma and skin conditions in addition to pollution of the environment.</u> These persons (third party) are <u>experiencing discomfort based on what the population has contributed to.</u></p> <p>Garbage has created a positive externality because it has created a <u>new business sector in the recycling business creating employment opportunities and ability to earn foreign exchange through a new export market.</u></p>	<p>For a clear and adequate explanation of each type of externality - 3 marks</p> <p>For a partial explanation of each type of externality - 2 marks</p> <p>For a weak explanation - 1 mark</p>			6
(b)		<p>Investment is an <u>injection</u> into the <u>circular flow</u> and will thus <u>generate additional economic activity</u> causing GDP to rise. There will be <u>increased output of products made from recycled items.</u></p>	<p>For a clear and adequate explanation - 2 marks</p> <p>For a partial/weak explanation - 1 mark</p>			4
<b>TOTAL</b>				<b>10</b>	<b>20</b>	<b>10</b>

**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<sup>®</sup> 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.

**CARIBBEAN EXAMINATIONS COUNCIL**

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

**MAY/JUNE 2015**

**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 ninth year in 2015. The examination consisted of Paper 01, Multiple-Choice, Paper 02, structured essays, Paper 031, the School-Based Assessment (SBA), and Paper 032, alternative to SBA for private candidates.

## **DETAILED COMMENT**

### **Paper 01 – Multiple Choice**

This paper consisted of 60 multiple choice questions. The performance was generally good with approximately 74 per cent of candidates achieving acceptable grades. The mean was 74.89 and the standard deviation 9.33.

### **Paper 02 – Structured Essays**

This paper was divided into two sections: A and B. Section A comprised four compulsory questions while Section B comprised four optional questions from which candidates were required to answer two. Both Sections A and B tested two microeconomic topics and two macroeconomic topics while in Section B tested two microeconomic topics and two macroeconomic topics. Performance on this paper was generally fair. The mean was 44.37 and the standard deviation was 16.80.

#### **Section A - Compulsory**

##### Question 1

This question tested candidates' understanding of markets and prices. The mean was 6.32 out of 15. The standard deviation was 3.42.

This question tested candidates' ability to:

- (a) Identify the equilibrium price and quantity given a demand and supply schedule.
- (b) List three factors that affect the price elasticity of demand.
- (c) Explain what happens in the market when the price is above and below equilibrium.
- (d) Calculate the price elasticity of supply.

Part (a) was generally well done. The majority of candidates correctly identified the equilibrium quantity of 300 units and equilibrium price of \$3. Some candidates, however, wrote definitions for equilibrium price and quantity and therefore did not gain any marks.

Part (b) was satisfactorily done. Some candidates accurately listed at least two of the three factors that affect price elasticity of demand. However, some candidates mixed up the factors that affect demand, such as income, price of other goods etcetera with the factors that affect the elasticity of demand such as the percentage of income spent on the good, the availability of substitutes, the time period and so on.

Part (c) was poorly done. Candidates were required to use the appropriate economic terminologies such as *quantity demanded*, *quantity supplied*, *surplus* and *shortage*. Instead, many candidates confused *change in demand* with *change in quantity demanded*, and *change in supply* with *change in quantity supplied*.

Part (d) was also poorly done. Although candidates demonstrated familiarity with the formula for calculating price elasticity of supply, application of the formula proved to be a great challenge. As a result, candidates either failed to show the correct working, or to provide the result as a number (1), as opposed to a percentage (1%) or a sum of money (\$1).

## Question 2

This question tested candidates' understanding of production, economic resources and resource allocation. The mean was 8.10 out of 15. The standard deviation was 2.64.

This question tested candidates' ability to:

- (a) Classify items according to goods and services.
- (b) Explain the three resource allocation decisions that are often made under a free market system.
- (c) Discuss one benefit of entrepreneurial talent to Caribbean economies.

Part (a) was done exceptionally well as a vast majority of candidates were able to differentiate between goods and services with very few inaccuracies. This part of the question was a simple recall level question and therefore most candidates were able to link tangibles and intangibles with goods and services respectively. Most candidates scored the full five marks.

In Part (b), a fair number of candidates accurately identified the three resource allocation questions but many failed to further discuss how these can be applied to the free market system.

In part (c), candidates were unable to provide suitable responses. In most cases the benefits were identified, however, candidates did not adequately develop and apply the idea and the benefits to the Caribbean.

## Question 3

This question tested candidates' understanding of international trade. Generally, the responses were very poor. Most candidates did not achieve more than half the allotted marks, with a large number of them scoring zero. There was, however, a very significantly small percentage (less than 1%) of candidates who scored full marks. The mean was 3.60 and the standard deviation was 3.10.

The question tested candidates' ability to:

- (a) Define the terms of trade and balance of payments.
- (b) State one of the three main parts of the balance of payments statement.
- (c) Describe the impact of given scenarios on the value of the exchange rate of a currency.
- (d) Determine which country has an absolute advantage and which country has a comparative advantage based on information on the production levels in two countries.

Part (a) (i) was poorly done. The candidates who received full marks were those who clearly understood what the *terms of trade* is and clearly stated that it was the ratio of the price of exports to *the price of imports*. Some candidates provided the formula for clarification. It is, however, disturbing that many candidates thought the term meant trade agreements or rules governing trade.

Part (a) (ii) performed relatively better than Part (a) (i). Most candidates did not adequately explain the *balance of payments* to capture the marks allotted. However, some candidates used the terms *balance of payments* and *balance of trade* interchangeably. The candidates who were not awarded the requisite marks were those who looked at the financial transactions within an economy or country, which can be construed to refer to the 'national budget', rather than focusing on transactions with other countries through trade.

Candidates performed well on Part (b). Most candidates were able to acquire the allotted marks for this question, with the response being the *current account*. However, candidates who did not capture the marks were those that gave responses such as visible and invisible trade. The question specifically asked for the main section of the balance of payments.

In Part (c), candidates performed very poorly which indicates that they have not grasped the concept of the *exchange rate system*. While most candidates were able to understand the distinction between Part

(i), which dealt with appreciation and Part (i) (ii), which dealt with depreciation, they were unable to make the link between the change in demand and supply of the country's currency, which is directly related to the floating exchange rate system.

Some candidates also experienced confusion in highlighting the difference between the fixed and floating exchange rate regimes, which led to them using the terms; appreciation and revaluation; and depreciation and devaluation together to mean the same thing. This resulted in those candidates not being able to acquire the allotted marks.

In Part (d) (i), candidates were able to identify the country with the absolute advantage, but they could not provide proper reasoning for their responses by meaningfully referencing the data provided.

In Part (d) (ii), most candidates did not fully understand the concept of comparative advantage and so were incorrect in selecting the country. For candidates who gave the correct response, they were unable to create the link between comparative advantage and opportunity cost, which was required by this question. Very few candidates were accurate in making their country selection with reference to opportunity cost, which could be supported by displaying the relevant calculations.

### Question 1

This question tested candidates 'understanding of economic management'; policies and goals. The mean was 5.29 and the standard deviation was 3.36.

The question tested candidates' ability to:

- (a) Define the terms *monetary policy* and *fiscal policy*.
- (b) State one type of unemployment.
- (c) Distinguish between the national budget and the national debt.
- (d) Discuss one weakness in using gross domestic product (GDP) as a measure of the standard of living.

Part (a) (i), few candidates accurately defined the term *monetary policy*. Instead many candidates identified the tools of monetary policy as used by the central bank such as interest rates, discount rates and reserve requirement ratio without mentioning the manipulation of the money supply. Also, candidates confused the institution responsible for monetary policy and failed to include in their response that the achievement of macroeconomic goals and objectives such as establishing economic stability was key to the initiation of these policies.

In Part (a) (ii), very few candidates were able to identify both taxation and government spending as components of fiscal policy. Most responses were limited to either one or the other but did not include both. In addition, the majority of candidates did not highlight the fact that these policies are implemented in an attempt to fulfil macroeconomic goals and objectives such as lowering inflation or increasing economic growth.

Part (b) was correctly answered by the vast majority of candidates. The most popular response when identifying a type of unemployment was seasonal unemployment. Weaker candidates confused the concepts of underemployment and self-employment with the term *unemployment*. In some cases, providing the names of specific or certain professions such as farmers, taxi-drivers, and housewives etcetera proved more difficult for candidates.

In Part (c), many candidates failed to recognize that a national budget as the term suggests relates to a nation or a country not a person or business organization. While some candidates focused on the expenditure only, others indicated only taxation/revenue as being part of the national budget. A few candidates failed to score full marks in this section as they were unable to specify that a budget was for a specific period of time, that is, one year.

Many candidates identified the causes of national debt as opposed to providing a definition. There seemed to be confusion with other economic concepts such as budget deficit and balance of payment

deficit (which would also be reasons to incur a national debt but is not the same as a national debt). Though some candidates understood and explained that it was indeed an amount owing by the nation or government, they did not state that it was a debt that was an aggregate accumulation over time. A clear and common error in many responses was that national debt existed for a period of one year only.

Candidates performed fairly well on Part (d). However, although many candidates understood the meaning of the term GDP, some were unable to recognize and explain the weaknesses of GDP as a measure of standard of living. Instead, candidates discussed the calculations for GDP, the differences between GDP and GNP as well as the distinction between economic growth and economic development.

## Section B - Options

### Question 5

This question tested candidates' understanding of markets and prices. It was the least popular question was chosen by approximately 19 per cent of the candidates. The mean was 8.50 out of 20. The standard deviation was 4.69.

This question tested candidates' ability to:

- (a) Define the terms *ceteris paribus* and income *elasticity of demand*.
- (b) List three characteristics of a monopolist.
- (c) Explain how the presence of externalities and monopolies cause market failure.
- (d) Using a diagram, illustrate the impact of a rise in the cost of production in a free market on both the equilibrium price and quantity.

For Part (a) (i), candidates missed key words from the definition, for example ... 'holding all things constant' instead of ... *holding all other things constant*. For Part (a) (ii), most of the responses included half of the definition addressing the responsiveness of demand but failed to go on to state the changes in income.

Part (b) was generally well done. More than 70 per cent of the candidates scored at least two of the three marks allotted to the question.

Part (c) required candidates to explain how market failure can be caused by (i) externalities and (ii) monopolies. Most candidates demonstrated some knowledge of externalities but failed to show how both positive and negative externalities contribute to market failure. In the case of Part (c) (ii), some candidates repeated the characteristics of monopolies instead of linking these monopolies to market failure. Most candidates highlighted the ability of monopolies to charge high prices but did not continue to explain how they can also restrict output and thus cause market failure.

Part (d) required candidates to illustrate using a diagram, how a rise in the cost of production impacts equilibrium price and quantity. More than ninety percent of the candidates who attempted this part of the question accurately drew the basic graph depicting normal demand and supply curves. Less than thirty percent of them correctly demonstrated the shift to the left of the supply curve and the new equilibrium point corresponding to increased price and decreased output. In instances where the candidates correctly represented the information on a graph, they also used the graph to further explain the point.

### Question 6

This question tested candidates' understanding of the financial sector. It was the most popular question with approximately 89 per cent of the candidates choosing it. The mean was 12.55 and the standard deviation was 4.80.

This question tested candidates' ability to:

- (a) Define the terms *barter* and *money*.

- (b) List three characteristics of money.
- (c) Explain two ways in which the roles of the central bank and commercial bank differ.
- (d) Explain how inflation can affect two functions of money.

Parts (a) (i) and (ii) were done exceptionally well. Most candidates accurately indicated that money must also be *acceptable* as a means of payment.

Part (b) was generally well done by the candidates who performed well in Part (a) but some of them confused the characteristics of money with the functions of money.

Part (c) was exceptionally well done. A few candidates confused the functions of the central bank with those of the commercial bank.

Part (d) was generally well done. Most candidates correctly identified the functions of money. Approximately 60 per cent of them discussed how these functions were affected by inflation. However, some candidates stated the characteristics of money as functions. Weaker candidates generally showed a lack of understanding of the meaning of the functions of money.

### Question 7

This question tested candidates understanding of Caribbean economies in a global environment. It was the third most popular question with approximately 22 per cent of the candidates choosing it. The mean was 8.78 out of 20. The standard deviation was 4.46.

This question tested candidates' ability to:

- (a) State the meaning of the abbreviations IMF, CSME, WTO, FDI AND CARICOM.
- (b) List two characteristics of Caribbean economies.
- (c) Differentiate between import substitution and export push.
- (d) Discuss one challenge of implementing e-commerce in the Caribbean.

Part (a) required candidates to state the meaning of five abbreviations. More than 85 per cent of the candidates scored at least three of the five marks available for this part of the questions. For the most part, incorrect responses were given for the abbreviations IMF and FDI.

Part (b) required candidates to list two characteristics of Caribbean economies. More than 60 per cent of the candidates scored at least one of the two marks available for this part of the question. In some instances, candidates gave functions of CARICOM instead of characteristics of Caribbean economies. Additionally, some of the responses given were general to all mixed economies and not specific to Caribbean economies.

Part (c) required candidates to differentiate between the development strategies of *import substitution* and *export push*. This part of the question was poorly done with fewer than twenty percent of the candidates scoring the full eight marks. In many instances, candidates answered this part of the question using a strictly literal interpretation of the concepts. Most candidates stopped short of differentiating between the concepts and stating how the strategies contribute to development.

Part (d) required candidates to discuss one challenge of implementing e-commerce in the Caribbean. The majority of the candidates demonstrated knowledge of e-commerce. However, in most cases, candidates presented possible consequences of implementing e-commerce rather than discuss the challenges of implementing e-commerce. In cases where candidates were able to correctly identify a challenge of implementing e-commerce, they, for the most part, stopped short of fully developing their points to gain the maximum score.

### Question 8

This question tested candidates' understanding of the nature of economics. It was the second most popular question with approximately 65 per cent of the candidates choosing it. The mean was 9.21 out of 20. The standard deviation was 3.78.

This question tested candidates' ability to:

- (a) Identify the central problem in economics.
- (b) Define the terms *need*, *want* and *opportunity cost*.
- (c) Explain two economic factors that will influence the decision a CAPE student in deciding on her future after her studies.
- (d) Draw a production possibility curve/frontier diagram showing decreasing opportunity costs, an efficient point and an unattainable point.

In Part (a), many candidates were unable to identify the central problem in economics as scarcity. Approximately 30 per cent of candidates omitted this part of the question and about 50 per cent of identified the central problem as unemployment or some other macroeconomic goal.

In Part (b), candidates were generally able to define the terms *needs*, *wants* and *opportunity cost*; and five other examples. Full marks were awarded for a majority of the responses.

In Part (c), approximately 80 per cent of the candidates misinterpreted what was being asked and therefore gave answers not related to the question. Candidates highlighted all the benefits of choosing a job and why they might choose to work and what incentives might encourage them to enter a particular industry or field. The main focus of the responses was reasons why the CAPE student should work. Whenever *income* was identified as an economic factor, the candidates went on to elaborate on what a good income would allow them to enjoy. *Availability of jobs* was also identified as an economic factor but not properly explained. The explanations involved describing an oversaturated or under-saturated labour market as influencing their choice of job.

In Part (d) approximately 30 per cent of candidates drew the production possibility curve (PPC) to represent decreasing opportunity cost. Labelling of the axes was a major problem as only a small percentage of candidates used two different items on the PPC. However, more than 80 per cent of the candidates were able to correctly identify efficient and unattainable points. In some cases the demand and supply curves were used to show equilibrium/efficient points.

### **Paper 031–School-Based Assessment (SBA)**

For the SBA candidates were required to submit a research project based on (or related to) economic issues and problems. The mean was 29.07 out of 40. The standard deviation was 6.14.

#### Project Title

In many cases the titles for the projects were too vague and too broad for the CSEC level. Some topics were more appropriate for other subject areas. Teachers need to guide students in selecting an appropriate topic. Appropriate topics should be at the micro or community level. For example, rather than research inflation, it would be more appropriate to examine the effects of the rise in prices on a particular community over a specific period of time.

#### Purpose of Project

The aims and objectives were often poorly stated and sometimes unrelated to the stated title. Students need to state at least three distinct, specific aims which are directly related to the content in the syllabus.

#### Collection and Presentation of Data

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

Where questionnaires have been chosen to collect primary data, teachers should guide students to create a brief list of appropriate questions. For example, a student 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 student to later determine the correct category of unemployment based on the theory.

Students 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 which are used for presenting 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

Overall, this section was overall poorly done. Students tended to simply summarize the graphical data and failed to 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

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

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

## **Paper 032–Alternative to School–Based Assessment**

This paper consisted of a case study and five questions. Candidates were required to answer all five questions. The mean was 20.95 out of 40. The standard deviation was 6.31

### Question 1

The question required candidates to:

- (a) Differentiate between a positive and negative externality.
- (b) List three negative effects of garbage, mentioned in the case.
- (c) Identify the three key elements in the ‘Going Green’ campaign

In Part (a), most candidates were unable to provide the definitions of externalities and hence were unable to differentiate between the negative and positive externalities. Some candidates just listed examples of externalities but showed no differentiation.

Part (b) was handled well, with many candidates correctly stating three negative effects of garbage from the case.

Part (c) was also handled well, with over 95 per cent of the candidates identifying the three elements of the campaign.

### Question 2

The question required candidates to:

- (a) Explain two benefits that recycling can have on the balance of payments.
- (b) Identify the heading in the balance of payments account under which each benefit identified would be placed.

Overall performance on this question was poor. Candidates seemed to be unfamiliar with the components of the balance of payments that would be affected. Very few candidates correctly identified foreign direct investment to set up the recycling plants which would be found in the capital account or an increase in the export of recycled material found in the current account.

### Question 3

The question required candidates to explain two reasons why garbage is considered an economic bad.

This question was satisfactorily done. Candidates were familiar with the concept of *economic bad* and were able to use the case to reference examples of the negative economic consequences of garbage.

### Question 4

The question required candidates to:

- (a) Describe two ways in which the government can encourage firms to practise recycling.
- (b) Outline two ways in which the government can encourage consumers to recycle.

The majority of candidates was able to list ways that the government could encourage both firms and consumers to recycle. However, candidates failed to earn maximum marks because they did not develop the points listed. The most popular responses for firms were centred around the use of legislation or giving subsidies to firms, while for consumers it was recommended that training and strong public relations campaigns be used.

### Question 5

The question required candidates to:

- (a) Explain how garbage has created both a negative and a positive externality.
- (b) Explain how investment in recycling by private firms will help to improve the gross domestic product (GDP) of a country.

Part (a) was generally well done. Although some candidates were unable to correctly differentiate between a positive and negative externality, they were better able to use the passage for linking garbage to the creation of both the positive and negative externalities derived from the passage.

Part (b) proved challenging for the students as they were unable to make the link that investment is an injection into the circular flow of income and would therefore have a stimulating effect throughout the entire economy raising the level of economic activity and hence gross domestic product.

### **Recommendations**

- Teachers should outline to students the type of expected responses for specific terms used in examinations, that is, *list, identify, discuss, outline and explain*. It is important that candidates read the instructions carefully to avoid giving too much or too little information.

- Teachers should pay close attention to the definition of key economic concepts. Further, teachers are advised not to teach these concepts in isolation but to create opportunities for students to link the economic concepts to real-life situations. This will allow students to maximize marks in Profiles 2 and 3.
- Observation of the marks to be awarded for a question can be used as a guide to determine the quantity and quality of the response.
- The use of economic terminology and jargon is essential when responding to questions and should therefore be encouraged at all times.
- Sufficient time is needed to practise concepts with calculations to develop numeracy skills.