

Economics

Advanced GCE **A2 7812**

Advanced Subsidiary GCE **AS 3812**

Report on the Units

June 2006

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Chief Examiner's Report

General Comments

This report contains comments from Principal Examiners on the performance of candidates in the June 2006 examination.

Some general comments below cover wider issues arising from the assessment of candidate performance this session.

Candidate entries were broadly the same at A2 level as in June 2005; AS entries for units 2882 and 2883 were up slightly on June 2005, following a substantial increase in entries for unit 2881 in January 2006.

Principal Examiners remain positive about candidate performance as their individual reports indicate. Resources for the delivery of the specification continue to grow, although there is a danger that these may not always enhance candidate performance. There is no substitute for meaningful and effective teaching and in this respect teachers should be congratulated on the achievements of their candidates. Standards in this specification are entirely consistent with the QCA's A Level performance descriptions.

The following additional points can be made:

- i) In AS examinations, where definitions are required, it is important that candidates take care in how they set out their answers. A misplaced word here or there or a slightly different word can alter the whole tone of an answer. This appears to be a recurring issue on unit 2883 and to a lesser extent unit 2881. Candidates should also be advised to think carefully about their answers to the data interpretation question on unit 2888. For example, 'higher' is not the same as 'highest' and 'GDP per capital' or just 'GDP' is not the same as 'GDP per capita'.
- ii) As in any examination, it is vital that candidates read the question. Two particular cases are noted in PE's reports. These are unit 2881, question (a)(ii) where very few candidates gained 2 marks. Many answers did not approach the question as directed, namely too general and vague, not applying the economic problem to the individual and unit 2888, question 4. The context of this question was the 'eurozone', namely the EU12 countries that have adopted the euro and those EU 10 countries that at some stage will convert to the euro, as Slovenia recently announced. A large number of candidates wrote in much broader terms of the EU as a whole, including static and dynamic effects of membership, or in terms of the Single European Market. This was not the question.

There were other less frequent occurrences where candidates misread (or maybe misunderstood) the context of the question. It is not always easy in the pressured examination room situation but some candidates did not gain the mark they might have done if they had read the question more carefully.

UNIT 2881 THE MARKET SYSTEM

General Comments

This was the seventh sitting of this unit as a one hour written examination with an answer booklet. It was taken by around 5,800 candidates, the same number as in June 2005.

This question paper differed from those from previous sessions in so far as it was based on a theme (making choices) that is central to Economics as a subject and not on a particular applied case study drawn from an original source. The rationale being that this was a way of examining topics, particularly from Section 5.1.1 of the specification, which are not always easy to incorporate into real world case material.

The question paper worked well, allowing examiners to differentiate between candidates, particularly at the higher level. Very few candidates scored less than 15 marks.

Questions (a), (b), (c) and (e) were relatively straight forward. Although, parts (a)(ii) and (c)(ii), especially, were not well answered by the majority of candidates.

As in previous examinations, candidates scoring the highest marks normally were awarded an Level 4 mark on (f)(ii) and full marks on (f)(i). Consequently, a good number of candidates recorded marks in the late 30's to early 40's.

Comments on individual questions

- (a) (i) This was a simple opening question, drawing upon knowledge from the start of their course for most candidates. Although this type of question had not been set in earlier examinations, most candidates scored two marks. One mark was awarded where answers described general problems of resource allocation; for example, in terms of 'how, why and for whom' production takes place.
- (ii) In contrast, this question was not well answered. Very few candidates were able to relate the economic problem to their own circumstances; namely having limited income in relation to unlimited wants. Some answers lacked focus on the individual and looked more widely at some of the resource issues facing economies today – they did not gain any marks.
- (b) (i) This question was well answered, with many candidates gaining five marks. Only a very small number of candidates failed to get at least one mark on this question as there were at least seven possible aspects of the Production Possibility Curve (PPC) that could be described.

- (ii) This question was also well answered. The only acceptable approaches to this question were a complete shift outwards of the PPC or a pivotal shift showing an increase in capital goods. Most candidates did the former and then gave a competent explanation of the outcome for two more marks.
 - (iii) Answers to this question were more variable. The best answers gave a correct definition of opportunity cost followed by explicit reference to the labelled diagram. Such answers gained full marks. An answer with a vague definition which understood opportunity cost but only applied this loosely normally gained two marks. Many candidates gained full marks.
- (c)
- (i) On the surface, this was a straight forward question. Most candidates scored just one mark for stating that demand referred to what consumers wanted to buy. The best answers referred to 'able and willing to buy' or mentioned the relationship between demand and price.
 - (ii) This question was not well answered, with most candidates failing to give the correct answer. Although this was a different style of question on price elasticity of demand (PED), the quality of answers was disappointing. By using the data, candidates should have realised that the percentage change in quantity demanded is greater than the percentage change in price, resulting in an estimated PED of 1.67 (answers between 1.6 and 1.7 were acceptable). This clearly differed from the published estimate of unitary price elasticity of demand. So, for 2 marks, candidates were required to say 'No', with an appropriate explanation that usually contained the correct estimate. Only about one in five candidates answered this question correctly.
- (d) In general, this question was well answered. The intention behind this question was for candidates to consider the various determinants of demand (income, price of complements and substitutes, taste/behavioural factors) and to discuss the extent to which these or price might be important in the purchasing decision of consumers. Examples of various types of goods can clearly enhance such an answer. Most candidates took this approach, with answers of variable quality. An alternative approach was to tackle the question from a price elasticity of demand standpoint, referring to different types of goods in terms of whether they were price elastic or inelastic. A few candidates combined both approaches. Virtually all candidates gained some marks on this part, with the full range being evidenced.

- (e) This question was well answered with many candidates gaining full marks for a correct explanation and a correctly drawn diagram showing that a fall in the price of a product would increase consumer surplus. As in previous examinations, some candidates had no knowledge whatsoever of this concept – a common error was to say that consumer surplus was where ‘demand exceeded supply’. This is clearly not correct. Not all candidates were able to correctly show the new area for consumer surplus on their diagram in (e)(ii). These normally gained four out of the five marks available.
- (f) (i) Most candidates were able to state three characteristics of monopoly. Examiners were able to accept eight possibilities. For barriers to entry though it was necessary for ‘high’ to be stated for the mark to be awarded. Profit maximisation was not accepted as it can apply to other market structures. Where ‘long run excess profits’ was stated then this was acceptable. A small number of candidates answered in terms of other market structures.
- (ii) As in previous examinations, a question that required an answer in continuous prose was challenging for many candidates. More specifically, the adjective ‘realistic’ appeared to be unclear to some. The idea behind the question was quite simple, namely to get candidates to discuss whether the characteristics of monopoly had any real world relevance. A good way of doing this was by means of examples such as Microsoft, Royal Mail, train operating companies, utilities and so on. Reference to the 25% market share recognised by the Competition Commission was also relevant. A good way to reach Level 4 was to use such examples and to discuss whether they exhibited the characteristics of a monopoly as set out in an Economics text book.

Some candidates wrote answers which contained far too much analysis of monopoly, including diagrams of the equilibrium position. Although assessed at Level 3, candidates were generally unable to match theory with reality.

Most candidates appeared to have no problems with timing. Answers from some candidates for (f)(ii) were rather short, probably due to a lack of knowledge rather than a lack of time.

UNIT 2882 MARKET FAILURE AND GOVERNMENT INTERVENTION

General comments

With 8,000 candidates sitting the June question paper, this proved to be one of the biggest examination sessions so far for unit 2882. Generally, candidate performance was of a good standard with very little evidence at all of candidates experiencing timing problems and many scripts demonstrating an excellent understanding of economic theory which was very pleasing.

Whilst this paper covered much familiar ground, with many candidates able to display an excellent knowledge of externality theory, a few seemed determined to regurgitate past mark schemes rather than directly answer the questions which they faced. Whilst use of past papers and mark schemes is undoubtedly an invaluable revision aid, it is to be hoped that candidates will use these to develop their knowledge and understanding of certain topics rather than simply to regurgitate past answers on future papers! That said, there were some very good scripts which showed a depth of understanding and analysis, particularly on the last question.

Comments on individual questions

- (a) (i) This question seemed to throw some candidates who misread it as asking what was meant by the term 'external cost'. Whilst a majority of answers did gain a mark here, too many stated that a private cost was a cost to a third party, whereas in fact, all that was required was a simple statement that a private cost is a cost faced by the decision maker.
- (ii) Many answers received two marks here for identifying a relevant example, usually the £337 million construction cost, before going on to give some idea as to why this would be a private cost. Often the third mark proved to be illusive, with candidates failing to explain that this cost would not be paid for by any third party to a transaction and, therefore, as it was paid by the decision maker, it could be classed as a private cost.
- (iii) In contrast to (a) (i), this question was well answered with most candidates being able to state that an external cost would be paid by a third party. More elaborate answers were often given, including reference to the fact that external costs arose where social costs exceeded private costs, which were clearly credited too.
- (iv) Again, this was answered well, with a large number of answers gaining full marks. That said, answers which failed to use correct economic terminology were often limited to only two marks, where answers tended to be more descriptive.

- (b) (i) For the first time, cost-benefit analysis appeared on the paper in a different format to usual. This seemed to throw a small number of candidates who clearly expected cost-benefit analysis to appear as the last question on the paper, although many very good answers were given, particularly to (b) (i) and (b) (iii).

The majority of answers to (b) (i) received full marks with many answers correctly identifying the decision making role which cost-benefit analysis undertakes. Weaker answers failed to look at both benefits and costs, usually focussing upon how the government would use the process to identify private and external costs only. Such a one sided answer received a maximum of one mark only.

- (ii) The large majority of answers to this question gained only one mark. Very few candidates were able to state clearly that the government would weigh up social costs and benefits and select the project where social benefits exceeded social costs by the largest amount. A few candidates explained concisely that the government would weigh up social costs and benefits and then select the project which had the highest net social benefit. Such responses clearly gained both available marks.

- (iii) Once again, the responses to this question were relatively pleasing, with many answers receiving three or four marks. Common mistakes by candidates were to make too little use of the article (or in some cases no use whatsoever, despite the clear instruction in the question) and also to fail to explain points fully. For example, candidates were given a mark for stating that it would be difficult to attach monetary values to many external costs and benefits but often failed to develop this further. Simple development in terms of the difficulty of trying to estimate such values and the possible inaccuracy of cost-benefit analysis which may result would have been rewarded. That said, in general, this question was well answered; with many excellent answers developing good analysis of the measurement problems within cost-benefit analysis.

- (c) (i) This question was very well answered. The majority of answers received the maximum six marks which were available for the diagram and many gained the full ten marks overall. In general though, candidates tended to score less well on the explanation part of the question. Common mistakes were a failure to include clear reference to the direction of change. Simple statements such as "price will change to P2" were insufficient, lacking any clear direction of the change. Whilst many candidates were able to gain marks on the explanation for recognising that subsidies would lead to higher supply, lower prices and an extension in demand, fewer correctly identified that a subsidy for producers would lead to lower costs of production.

- (ii) Again, this question was generally well answered with candidates clearly well prepared for evaluating different forms of government intervention. Better answers were able to identify relevant reasons why subsidies may be ineffective and then develop these. A popular example was to use elasticity of demand to explain that where inelastic demand existed that subsidies would be less successful at raising demand for public transport because of the poor responsiveness of demand to a fall in prices. At the same time, many candidates still received all three marks by identifying three separate points of evaluation.

- (d) (i) Whilst this question was on one of the more popular topics for candidates, answers were mixed. Too often, responses were vague and lacked clear use of economics. The best answers were able to identify negative externalities as an example of market failure due to the fact that consumers would ignore the external costs of their actions and, therefore, that the price charged in a free market would be too low, resulting in overproduction and a misallocation of resources.

- (ii). The question paper provided candidates with the opportunity to select from three different examples of government intervention to discuss how the market failure could be corrected. Whilst taxation proved to be the most popular choice, a large number opted to discuss pollution permits with the full range of marks awarded. Many candidates received a Level 4 mark, indicating the use of relevant evaluation.

Two common mistakes arose on this question:

Firstly, a small number of candidates chose to write about all three policies, often without including any relevant evaluation for any of the policies.

Secondly, a mistake made by some candidates was to simply state/identify a problem without developing any elaboration. Such a mistake limited candidates to a maximum of six marks on this question. For example, the statement that 'it is difficult to decide what tax to charge' without any further elaboration would not receive a top level mark as the evaluation as to why this is a problem was not present. Simple elaboration in terms of the government having difficulty in setting monetary values for external costs/pollution would ensure that a Level 4 mark was received.

In more detail:

Taxation

There were some excellent answers to this question, with many candidates discussing in detail the problems of using taxation on goods which had inelastic demand and also the potential regressive impact of taxes on lower income groups. Few weak answers were produced to this question, with most being able to introduce basic analysis of how taxation would work.

Pollution Permits

Answers to this option were more mixed. A significant number of candidates mistakenly suggested that the fact that some firms could purchase additional tradeable permits would be a disadvantage, whereas in fact this is a key point to the entire system. Better answers focused upon the difficulty of deciding how many tradeable permits to issue in the first place with some candidates taking this further and discussing the subsequent collapse in prices which would occur if too many permits were issued.

Regulation

On balance, this was the least popular of the three options amongst candidates, although those who chose this option tended to score very well. Better responses tended to focus upon the enforcement and policing costs of regulation and the difficulties of deciding at what levels such regulation should be introduced in the first place.

UNIT 2883 THE NATIONAL AND INTERNATIONAL ECONOMY

General comments

The paper drew on all four sections of the specification, covering fairly familiar areas, but two which candidates tend to find relatively challenging – the current account of the balance of payments and economic growth.

There was a relatively wide range of performance from the record number of 8,354 candidates who sat this question paper this session. Scripts at the top end exhibited clarity, relevance, and an ability to apply economic knowledge and to use it to analyse and evaluate a number of issues.

There were a disappointing number of scripts gaining low marks as a result of vague, inaccurate answers and, in some cases, not attempting question parts.

Comments on individual questions

- (a) (i) This was relatively well answered with better candidates picking up on gross, domestic and product to recognise it is total output produced in a country.
- (ii) Surprisingly, a relatively high number of candidates struggled with this question part. Some described a rise in the price of one product, others a one off rise in prices and some even described GDP again. In defining inflation, it is important for candidates to recognise that it is a macroeconomic concept and a time aspect is involved.
- (b) (i) Most candidates were able to work out that there was a budget deficit and supported their answer by either defining a budget deficit or calculating the size of the budget deficit. In this case, it was relatively straightforward to calculate the size of the deficit. Candidates should be prepared to undertake straightforward calculations on this paper and to interpret statistical data, taking care to distinguish between relative and absolute changes.

- (ii) Despite commenting on this in most reports, it is surprising how many candidates still draw micro diagrams. In this particular case, a number of candidates also did not relate their comments to the impact that a decrease in government spending would have on the economy.

This is a common type of question which should not come as a surprise to candidates. It is important that candidates get used to analysing the effects of changes in components of aggregate demand and changes in aggregate supply by drawing and interpreting AD/AS diagrams. They should be able to interpret such diagrams so as to explain the likely impact on the price level, real GDP and unemployment. It is also useful for them to recognise that the effect of any change in aggregate demand and aggregate supply is influenced by the initial level of economic activity and that, in the case of changes in aggregate demand; there will be a multiplier effect.

- (c) Most candidates could identify one leakage, usually savings. A number, for some reason, possibly because they sought to draw on the information in the pie chart, identified two different types of taxes.
- (d) (i) A number of candidates did not appear to pick up on the reference to the balance of payments in the stem of the question. As a result some described a budget deficit and others wrote about bank customers having overdrafts. Candidates appear to find the balance of payments and, indeed, the whole area of international trade difficult. In terms of the balance of payments, candidates should focus particularly on the current account. In particular, they should understand the main components, understand how a deficit or surplus can arise, the effects of such a deficit or surplus and policy measures that can be taken to reduce a deficit or a surplus.
- (ii) In practice, most candidates explained the causes of a current account deficit rather than specifically addressing the question of a growing current account deficit. For example, a number mentioned poor quality or a lack of price competitiveness. The strongest answers tended to come from candidates explaining how a rise in the exchange rate of a country and an increase in domestic incomes and/or a fall in foreign incomes may cause a growing account deficit.

- (e) (i) This was generally well answered. It did, however, reveal the confusion between production and productivity which is often seen in answers to questions on this paper. A number of candidates wrote that a rise in unemployment would result in a fall in productivity as there would be fewer workers to produce products. A few candidates discussed the causes of unemployment instead of the effects.
- (ii) There were some excellent answers which identified a policy, explained how it might reduce unemployment and then went on to discuss the extent to which the policy might or might not work. The two most popular supply side policies discussed were education and training. Unfortunately, a few candidates choose, for some reason, to discuss demand-side policies.

Candidates should recognise that there will be two questions on the question paper requiring evaluation. Most candidates recognise the need to evaluate in the last question but some do not seem to recognise the need to do so in another question part, which often starts with the directive words 'comment on'.

- (f) Strong answers explained a number of effects of economic growth and obtained evaluative marks either by assessing the factors influencing or the extent of individual effects or by assessing the overall impact of economic growth.

Many candidates concentrated on short run economic growth, arising from increases in aggregate demand, and the risk of inflationary pressure. Some of these used this as the basis to discuss, in some detail, the costs of inflation and, in effect, twisted the question in order to write about what they wanted to write about. A number concentrated on discussing the effects of an increase in aggregate demand when the economy is operating at full capacity – ignoring the fact that, in this situation, economic growth is not occurring. Others wrote not about the effects of economic growth but about the causes of economic growth and some appear to believe that economic growth can only occur as a result of changes in government policy. Stronger answers tended to examine the sustainability of economic growth in terms of the environment, the possible opportunity cost of economic growth, the stress it places on workers, whether it does raise the quality of life and the differing effects on different groups.

A number of candidates failed to achieve Level 4 because they merely asserted points without establishing them. It is important, for example, if a candidate writes that a country should achieve sustainable economic growth to explain why. In questions concerning the effectiveness of macroeconomic policies, candidates often mention that there is time lag or that there may be harmful side effects. Without explaining why these may occur or the impact they will have, candidates will not be credited with evaluation.

Advice to Centres:

- greater precision on definitions. Some apparently able candidates lose marks as a result of somewhat careless definitions.
- avoidance of common confusions e.g. between:
 - * a budget deficit and a current account deficit
 - * investment and saving
 - * production and productivity
- greater depth on evaluation. Candidates should base evaluation on analysis and explain evaluative points.

UNIT 2884 ECONOMICS OF WORK AND LEISURE

General comments

This paper effectively discriminated between candidates, with a wide range of marks achieved. The best scripts exhibited clear focus on the question asked and displayed depth in economic understanding of concepts and models. These candidates were also able to apply their economics to the stated issue in the question.

However, it was disappointing that at this level, a significant number of candidates wrote very weak answers with a tendency to be very general, providing common sense answers with little evidence of knowledge of key terms, economic models or their application. This was particularly evident in relation to the essay question.

In this session, candidates found the data response section clearly accessible with most candidates managing to achieve at least double figures. A pleasing number of candidates knew the importance of the directive words and were able to structure their answers appropriately. The data response was on a topical and controversial economic issue in the UK. It was evident that some candidates had clearly been engaged in discussions on migration and were able to produce balanced arguments when required to go beyond the extracts. However, what caused some concern amongst examiners was the number of candidates who were only able to identify the disadvantages of migration.

Section B proved to be far more challenging and produced a wide range of marks. Question 3 was easily the most popular question, but unfortunately often not the best answered. Questions 2 and 4 both attracted a significant number of candidates.

There was no evidence of problems with timing or rubric infringements. The quality of written communication was also in line with that in previous sessions. Centres are clearly aware of the importance of the directive words and candidates are demonstrating the skills assessed. However, to be awarded for these skills the candidate must demonstrate what they have learnt in their economics lessons relating to this unit and the grounding received in AS Economics. In too many instances, candidates are providing generalised comments which are often very lengthy with no real economics substance.

Comments on individual questions

- (1) (a) The vast majority of candidates correctly identified a conclusion from each figure.
- (b) Candidates effectively used the extracts and were able to identify and explain two benefits. Some candidates wrote excessively long answers for the question.
- (c) A pleasing number of candidates were clearly briefed on how to interpret comment, explaining a benefit and a relevant downside. The most common explanation of how employers benefit was given through lower wages from an increasing labour supply reducing business costs. Some candidates chose to comment on how others may benefit which was equally as acceptable.
- (d) This question elicited a mixed response and a vast array of answers. Most candidates chose to exhibit their understanding through the use of a basic demand and supply diagram. The most coherent answers used a starting position of disequilibrium, $LD > LS$, and explained how a rising wage would enable the market to clear and a position of equilibrium to be achieved. Other candidates focused on differing elasticities of LS through time and depending on the level of explanation frequently scored full marks. Weaker answers tended to focus on a shifting LD or LS curve without a clear explanation of their relevance to the statement.
- (e) It was evident that some Centres had clearly engaged their candidates in this discussion. Some very concise, lucid and evaluative answers were seen. Most answers exhibited balanced argument with candidates picking up the ethical dilemma in terms of the host country exploiting either the country of origin and/or the individual. Candidates who failed to achieve full marks often failed to reach a reasoned conclusion and/or there was no evidence of any attempt to weigh up the two sides. Weaker answers tended to be one-sided and, perhaps of concern, often only focused on the disadvantages of migration.

- (2) (a) A minority of candidates were well prepared for this question and scored high marks. These candidates exhibited clear structure through demonstrating an accurate understanding of how the demand for labour is determined through a precise definition of how MRP is derived and its two components of MPP and price of the product. These candidates often used a MRP diagram to explain the relationship between MRP, wage and the number of people employed. This was further developed by an explanation of diminishing returns and, occasionally, the problems of measuring MPP and/or imperfectly competitive labour markets. Unfortunately, many candidates showed little knowledge of MRP and its derivation. Other candidates focused on a theory of the firm answer with little application to the labour market.
- (b) The better candidates frequently used examples from previous papers to demonstrate their understanding, footballers, nurses, doctors and cleaners being the most common. The better answers focused on an explanation of how demand and supply factors influence pay which was further developed into other relevant influences, e.g. presence of a monopsony, the most common example being the NHS. These candidates used 'the extent to which' aspect of the question effectively to assess which were the most important influences. Some excellent candidates recognised that the most importance influences differed depending on the occupation. However, some candidates failed to consider the influence of supply on the average rate of pay; hence, only a very low mark could be obtained. Some stronger candidates failed to achieve higher marks because they ignored the evaluative aspect of the question.
- (3) (a) This was the most popular question in Section B but it clearly exposed some gaps in economic understanding. Candidates confused characteristics of perfect competition and monopolistic competition frequently mixing up price taker/price maker and monopolistic competition and monopoly. It was quite rare to see clearly labelled and accurate diagrams. The word 'efficiency' was used numerously but too often lacked any clear indication of what it meant. However, pleasingly some candidates demonstrated clarity regarding key characteristics, diagrams and the meaning of productive and allocative efficiency and their differences in the market structures. These candidates scored full marks.

- (b) Some excellent answers, these candidates were familiar with the changing market structure and how the market has become more contestable. This was further developed by applying their economic theory particularly regarding productive and allocative efficiency to firms' behaviour. The candidates who concentrated on the gains and problems regarding efficiency tended to do very well. Many candidates failed to achieve the desired outcome in this question, principally due to one of two reasons, either text book theoretical repetition which lacked application or a general awareness of changes in the airline industry but with no or little economics. It is crucial that candidates display a grasp of key terms and their relevant application in this specification.
- (4) (a) Some very confident, lucid answers to this question. Many candidates clearly recognising and defining the difference between wealth and income with relevant examples given. The relationship between income to wealth was better explained and more familiar to candidates than wealth to income.
- (b) Some excellent answers with candidates effectively assessing the best way to reduce income inequality with a consideration and/or comparison of policies concentrating on wealth and income. However, many candidates chose to ignore the 'taxation aimed at reducing inequality of wealth' aspect of the question, preferring to use possibly prepared answers focusing on income reducing policies only. This was unfortunate because many of these candidates wrote at great length and were very knowledgeable but their marks were limited because they did not answer the question set.

Advice to Centres:

- candidates should be able to define key terms in the question.
- diagrams should be accurate, labelled and referred to in a candidate's explanation
- use the leisure markets as case studies and a vehicle for developing market structure theory.
- in part b) of the essay, economic theory must be combined with application and vice versa.
- candidates must answer the question set.

UNIT 2885 Transport Economics

General Comments

The question paper was appropriate to the candidates for whom it was intended and was of a similar standard to previous 2885 papers. Once again marks were spread and the overall performance of the candidates was good with many scripts scoring 35+ marks.

Most candidates had been adequately prepared for the examination, although yet again there was disparity in such preparation between Centres.

There appeared to be few problems of time constraint with the vast majority of candidates sensibly dividing their time between sections.

Marks on Section A were good for the majority of candidates. Compared with previous sessions there was much better application of economic concepts such as efficiency and integration, in this case to the bus/rail market in Scotland. However, there were very few sophisticated responses to question (c) (i) with most candidates adopting a simple demand and supply approach. All questions in Section B were attempted, although question 4 was most popular.

The presentation of diagrams, on the whole, is improving and economic commentary is becoming more sophisticated and directed at the questions set.

Comments on individual questions

- (1) (a) The better candidates understood the concept of contestability but many still confuse contestability with perfect competition or have difficulty in describing contestability. The more able could relate answers to the threat of entry, the lack of sunk costs and costless exit.
- (b) Generally well answered. The majority of candidates were able to state and explain two possible reasons why other bus companies may not enter the market, largely in terms of the various barriers to entry that might exist or the lack of profitability, but some candidates gave superficial explanations or did not apply them to the market for local buses.

- (c) (i) The majority of candidates used a simple supply and demand diagram and were able to score two marks for this, plus further marks for further analysis. The more able showed diagrams to compare price, output and efficiency between a competitive market and a monopoly. If accurate, they were able to make an analysis of how a competitive market is both productively and allocatively efficient.
 - (ii) There were some very good answers to this part of the question which demonstrated both a sound knowledge and understanding of economic efficiency and a useful attempt to apply such concepts to increasing market dominance in transport markets in Scotland. Some candidates, however, only had a very vague notion of the meaning of economic efficiency and did not place their work in the appropriate context.
 - (d) This question was generally answered well and many candidates were able to relate to the wider benefits of an integrated bus and rail service. The majority pointed out that there could be fewer cars on the road and the local community would benefit from lower external costs. Some very good answers argued that there would be an increase in inward investment into the locality which would bring about a positive local multiplier effect. Others discussed whether the integration would actually provide these benefits. A number of candidates failed to state clearly at the outset what was meant by an integrated bus and rail service and, therefore, had difficulty in reaching Level 3.
- (2) (a) The majority of candidates understood the concept of peaking and could relate to when demand is concentrated at particular times. However, only the more able considered the capacity and cost implications of peaking for passenger transport providers, namely increased fuel costs, the need for more vehicles and drivers' wages. Other responses mentioned the problems of oversupply off peak. The majority of candidates considered implications of congestion but not always to providers and often without reference to costs. There were many references to the possibility of price discrimination.
- (b) The quality of answers varied a great deal. The majority of the candidates explained what was meant by the concept of sustainability and then considered a range of possible government policies to manage passenger transport to achieve this aim. These included integrated transport schemes, various types of fiscal incentives and a variety of regulations. The responses varied as whilst some answers were descriptive, others analysed policies and the best offered informed judgements as to the extent of whether such policies were sustainable.

- (3) (a) The majority of candidates understood the external benefits (although not explicitly referring to these benefits as external) of constructing more airports and runways, e.g. increased employment, increased tourism, increased trade and some more sophisticated answers incorporating the multiplier effect. However, very few could explicitly relate to the private benefits of construction in terms of benefits to the constructors, airlines or passengers.
- (b) The majority of the candidates were able to offer a balanced answer, contrasting the potential advantages of forecasts with the difficulties involved in making them accurate. There were many candidates who were able to give a sophisticated explanation of how forecasts were made, the inherent problems of such forecasts being accurate and how this could be linked to airport capacity. Many candidates also saw the need to consider full social costs and benefits rather than just using forecasts. However some were unable to apply such concepts clearly to the provision of airports.
- (4) (a) Almost all candidates were able to present a simple market failure diagram. These varied in content with regard to MSB, MPC, MSC and taxation; the better diagrams showed the divergence between MPC and MSC. Most candidates understood how the tax shifted the MPC curve to the left thus internalising the external cost. The more able explained the external costs and why they needed to be internalised or considered price elasticity of demand and whether the operators paid the majority of the tax.
- (b) This discriminated well with some candidates not covering all aspects, others not developing explanations and others not supporting judgements made. The more sophisticated answers argued that increased road haulage operating costs may not be passed on to customers because they may experience greater economies of scale through increased dimensions. Moreover, PED and XED were discussed in relation to substitutes and most candidates were able to explain the wider macro implications, namely higher inflation and the impact on the UK's trade competitiveness.

UNIT 2886 ECONOMICS OF DEVELOPMENT

General comments

There are a number of changes to their approach which would help some candidates to improve their performance. The key to scoring well in this examination is always to set the economics in the development context. Too many candidates fail to make the most of their knowledge by neglecting this step.

Two very different approaches resulted in some poor responses. One type of candidate is satisfied to assert or state points, even listing, without clarifying their significance. This was evident in question (2) (b). On the other hand, the opposite case is where the candidate feels compelled to include every detail of a theory or model. This was seen in question (1) (c) and (4) (b). An understanding of when detail is or is not appropriate is important if knowledge is to be deployed effectively.

Matters of style in writing also hold back some candidates. Repetitive conclusions, which do not add to what has gone before, waste time. The overuse of vague adjectives, 'huge, vast, numerous, many', when these are not appropriate undermines accuracy. The misuse of terms and the failure to learn technical terms precisely creates a poor impression and fails to gain marks. Unfortunately, for some candidates it has to be said that the standard of their handwriting is appalling. If an examiner cannot decipher a key word it is difficult to award credit.

In Section B of the examination question 2 proved by far the most popular with candidates, who often showed confidence in the topic. On the other hand relatively few attempted question 3. Candidates were able to score marks throughout the data response and performed well in comparison to some previous years. Although some candidates seemed to rely more on 'prepared' answers in the essay section and found it more difficult to reach the top level in the second part of the essay.

Comments on individual questions

- (1) The question examined the growth of the car industry in Asia, particularly China, and its impact upon economic development.
 - (a) This was done well with many candidates gaining four marks. The main points considered were the cost of labour, the level of government regulation and the potential growth of the market. Weaker answers identified rather than explained the influence. It was not necessary to give long descriptions of the activities of multinationals.

- (b) (i) The answers revealed a good knowledge of the features of the 'Asian Tigers'. Some candidates appeared to have studied them in depth. Rapid economic growth, the move to manufacturing and export orientation were mentioned frequently. There were some cases of overlapping answers, e.g. rapid economic growth and rising GDP per capita, while those answers which described a 'typical' developing economy scored less well.
- (ii) The interpretation of Fig. 1 presented difficulties. Some candidates described the data without drawing conclusions from it. A successful approach was to recognise a general similarity in the pattern, i.e. rising GDP per head and rising annual cars sales per 1000 people, while establishing the greater similarity to Taiwan than to South Korea. It was valid to comment on the fact that China's statistics were a forecast.
- (c) Most candidates knew the stages of Rostow's model, although some went into unnecessary detail. The task was to identify elements in the information which matched particular stages. No specific answer was looked for, rather the ability to apply the theory in a logical way. The majority of candidates opted for take-off or the drive to maturity. Industrialisation, the inward flow of funds and the increase in investment were used to support take-off, while rising incomes and the nature of the car industry were used for the drive to maturity. The data could be used either to prove or disprove a particular stage.
- (d) The stronger answers made explicit links to development rather than concentrating on elements which promoted economic growth or suggested a stronger economic performance. Candidates referred to employment opportunities, rising skill levels and increased mobility as benefits, while recognising negative externalities and urban migration and its consequences as disadvantages. Some answers changed the emphasis of the question from the car industry to the impact of multinationals; this approach scored less well. Most candidates were able to discuss both welcome and unwelcome outcomes.

- (2) This question examined the effectiveness of GDP and the Human Development Index (HDI) as measures of economic development. This was by far the most popular essay question
- (a) Some candidates showed an excellent understanding of why GDP is not considered an accurate measure of development. The best answers set the weaknesses in the context of the nature of developing economies. These drew out the elements, such as the size of the informal and subsistence sectors, the unequal distribution of income and the rate of population change which are found in developing economies. These were usually supported with relevant examples. Some candidates overlooked the need to establish the meaning of the central ideas and wrote a more general response, while a few read the measure as GDP per capita. There was evidence of a misunderstanding of the concept of wealth.
 - (b) Some candidates had clearly anticipated a question on this topic and wrote relevant and comprehensive answers. However, given the importance of HDI as a measure of development, it was surprising that other candidates did not have a more precise knowledge of its construction. Items were sometimes included, e.g. birth rates, number of doctors, access to clean water, which are not part of the measure. There was a tendency to assert the appropriateness of the measure rather than to clarify how it succeeded in reflecting development. These statements were often truisms. While weaknesses of the HDI were identified, particularly distribution issues and the limited range of inclusions, these were not always sufficiently detailed, nor their importance justified. Stronger answers used references to alternative measures such as HPI and the issue of disaggregation to show a fuller understanding of the issues.
- (3) The question involved financial flows into and out of developing economies and considered their ability to cope with a current account deficit. This was the least popular question.
- (a) While multilateral aid was known to candidates, a significant proportion who attempted the question did not understand capital outflows. It was interpreted in a number of ways such as the sale of capital equipment, payments for imports and interest, profits and dividends flows, which were not accepted. In defining multilateral aid the concessional element of its nature was often overlooked. It was valid to explain both benefits and drawbacks of the two flows. The stronger answers considered the underlying position which made the impact beneficial or harmful.

- (b) A well structured approach was to examine the causes of current account deficits and then to analyse trends or policies which might intensify or remove these influences. Not all candidates were able to give such a clear structure, which resulted in somewhat rambling responses. Aspects which were addressed included the success of Asian Tiger economies, the operations of multinationals, the possibility of import substituting industrialisation, attitudes of the more developed world and reform of the world trade system. While some impressive discussion was evident, too many answers suffered from an incomplete grasp of the point of the question which resulted in one-sided responses, which were pessimistic about changes to the present trade order.

- (4) Population and international migration were the central issues of this question. Unfortunately there was some carelessness in reading or interpreting part (a), which caused low marks.
 - (a) This did not appear to be a topic which was known in detail. Relevant answers dealt with aspects such as rapid population growth, birth and death rates and population distribution. These were then linked into employment, dependency ratios, productivity, living standards and demands on government expenditure. Some reference was made to Malthus in explaining low living standards. The problem of 'large' populations needed to be seen in light of the resources available. The main problem that arose was that the term population in the title was sometimes ignored, so the answers dealt with any problem faced by a developing economy. These included civil war, sexual inequality and cultural attitudes. An approach from such an angle was not seen as relevant. A minority of answers explained the consequences in a structured way.

 - (b) The stronger answers made clear the assumptions that were being made about the direction of movement and the nature of the migrant labour force. The issue was usually seen in the context of a more developed country receiving an influx from a less developed economy. There were frequent references to doctors from India, nurses from the Philippines and plumbers from Poland. The benefits and drawbacks of these cases were discussed thoroughly, although mainly from the position of the more developed economy. The most impressive answers also considered remittances and the possible return of migrants to their country of origin. The movement of skilled workers and managers employed by multinationals was valid, although the movement of other resources by multinationals changed the emphasis of the question. A number of candidates saw 'migration' and automatically wrote all they knew about Lewis' theory of rural to urban migration. While elements of this can be adapted to the international context, in too many cases this was not done.

UNIT 2887 THE UK ECONOMY

General comments

The June examination attracted an entry of approximately 1600 candidates. This is very much in line with previous summer sittings. There were no reported rubric infringements. Candidates generally used time appropriately although there were some who perhaps spent a disproportionate amount of time on the relatively low mark questions in Section A, question (1) (c) (ii) in particular. This possibly affected their performance in Section B.

It is pleasing to be able to report that there was support for the view of examiners that standards, in general, continue to improve. There were a significant number of outstanding candidates who produced scripts worthy of marks in excess of 40. Some of the analysis and discussion contained in these scripts was quite exceptional. This, however, was offset by a disconcertingly large number of candidates who appeared ill prepared for examination at this level. For the vast majority of candidates, a major factor in any under-performance was an inconsistency both between but especially within Sections. Most performed well on at least one aspect of the paper but were unable to sustain this quality across all parts of Section A or both parts of Section B. This may, perhaps, be indicative of an unduly narrow approach to revision. It may also be due to a failure to understand and display effectively the skills that are being tested especially in the higher mark questions of Section A and in the discussion questions in Section B. The weakness, noted in the January 2006 report, of candidates to assert rather than explain and discuss was again a major cause of underperformance and was predictably more pronounced in Section B. Candidates should be reminded once more that appropriate diagrammatic illustration provides an effective and very convenient framework within which to organise thinking and a sound basis from which technical analysis and meaningful discussion can be developed. Each of the examiners commented on how often descriptive, generalised comments could have been sharpened and rewarded more highly through the use of appropriately drawn and correctly applied AS/AD diagrams. It also noticeable how few candidates incorporate into their answers commonly used and very helpful concepts such as trend growth, output gaps, NAIRU and labour market flexibility. An understanding of these concepts provides helpful additional tools to enhance examination performance

Section A questions discriminated well, although those requiring the skills to analyse the quantitative data presented in Figs 1, 2 and 3 were often of a disappointing standard overall. Questions requiring higher order skills were also handled less effectively with too few candidates either commenting upon or discussing the issues contained in questions (1) (d) (ii) and (1) (d) (ii). The latter question, in addition, revealed a tendency amongst a significant number of candidates to focus narrowly on microeconomic issues rather than confront directly the domestic macro-economic performance aspect of the question set. Whilst many of these comments had some relevance, the failure to develop analysis at the appropriate level of aggregation inevitably limited the marks that were awarded.

In Section B, question (2) was overwhelmingly the most popular question. Both parts of this question allowed for clear and effective discrimination between candidates. In some cases, evaluative comments appeared to have been rehearsed answers to a general question on 'the cures for unemployment' rather than applied to the question set – this

undoubtedly undermined their effectiveness. The best answers here though were quite simply outstanding.

Question (3) was characterised by an unexpected unevenness in quality. Whilst (3) (b) was usually answered extremely well with many candidates both analysing and discussing to great effect, (3) (a) was frequently answered poorly – very few who attempted this question displayed any genuine understanding of the factors determining the demand for money. In question (4) many candidates were unable to resist reversing the directives words by discussing issues in part (a) and, at best, simply explaining the causal link between economic performance and the budgetary position in part (b). This was unfortunate and highlights yet again the need to answer the question that has been set, in the way that it has been set!

Comments on individual questions

- (1) (a) This was generally answered well although, at times, ambiguous expression made it difficult to reward fully the comments that were made. In general, however those that did not score two marks simply lacked knowledge of this very basic concept.
- (b) There were several routes to full marks here and this flexibility of approach was exploited by most candidates. Demand side explanations were more evident but a common weakness was to explain why the level of real GDP might increase rather than to direct answers to increases in the rate at which real GDP increases. Weaker answers were predictably characterised by simplistic assertion rather than explanation.
- (c) (i) This question also provided several routes to full marks, with most candidates offering some plausible explanation which developed the sequence of causation they had initially covered in question (1) (b). A sizeable minority confused the current account deficit/surplus with the budget deficit/surplus.
- (c) (ii) This question was answered quite poorly. Many candidates struggled to make even elementary comments of any accuracy and relevance. Some restricted their comments to the period 1999-2000 alone – there was little use of data analysis techniques to identify and then qualify the relationships in the overall trends in the data sets. As such many comments were devoid of any real substance. A significant number of candidates wrote at length (sometimes up to three quarters of a page) before crossing their comments out and starting again. It does suggest that many candidates lack adequate understanding, confidence and practice in basic data analysis techniques. The best answers were characterised by a brief description of the overall trend in both sets of data followed by a simple but qualified explanatory connection to the ‘hypothesis’ they had established in (c) (i). The best candidates managed to achieve this in just a few lines.
- (d) (i) Most identified relevant factors other than oil, even if this meant some duplication of comments made in (1) (c) (i). Many answers, however, were narrow - the lack of relevant development meant that candidates often failed

to address the 'to what extent' aspect of the question other than in the most perfunctory manner.

- (d) (ii) Whilst there were many competent answers in response to this question, the examining team were disappointed at the quality of answers here. Too many ignored the domestic macroeconomic performance aspect of the question often by focusing too narrowly on microeconomic issues. There were many supply and demand diagrams showing, often in some detail, the impact on petrol prices and/or negative externalities and although these comments gained some credit, rewards would have been greater had the comments been shaped to address the wording of the question that was set. The best answers explicitly utilised an AS/AD framework – this not only enabled analytical points to be communicated more clearly (e.g. cost push pressures shifting the SRAS), it also provided a clearer framework within which simple but effective discussion of the domestic macro-performance issues could be undertaken (e.g. the conditions under which the SRAS might not shift).
- (2) (a) This was a seemingly straightforward question – it was definitely a popular one. The best answers were quite outstanding. Too many, however ignored, the actual wording of the question and wrote answers to explain why a high level of unemployment might persist, rather than why the rate of unemployment might increase. As such answers which focused simply on the existence of certain labour market 'imperfections' (e.g. functional, locational or financial inflexibility) rarely confronted the specific question set.
- (b) This was generally answered very well. Some candidates however created but then missed opportunities to develop valid discussion points. Unsurprisingly, those who used AS/AD diagrams were often better placed to develop such points, for example, by reference to policy trade-offs or the role of the supply side. Those who chose not use a diagrammatic approach often struggled either to identify valid discussion points or to communicate effectively their ideas. Surprisingly few candidates made any reference to the Fiscal Rules that officially govern fiscal policy in the UK.
- (3) (a) This was poorly answered – there was much confusion over the meaning of the demand for money. Many candidates wrote about exchange rates and loanable funds and either lacked awareness of the core concept or naively expected the examiners to make the appropriate connections to the specific question set. These candidates received limited credit for points that had only general or partial relevance.
- (b) In contrast this was done extremely well. A range of approaches was in evidence. The most successful compared different monetary transmission mechanisms with or without explicit reference to some variation of the quantity theory of money. Others quite shrewdly made effective use of the data in question (1) and incorporated discussion of supply side influences, for example, cost push pressures. The best, of course, did both and some of the material produced here was of the very highest standard.

- (4) (a) A straightforward question which was generally handled well by most although once again answers were generally enhanced by the use of appropriate diagrams. The most successful candidates focused mainly on the primary demand side effects of an increase in the structural deficit. Although there were some good answers dealing with the secondary consequences of financing the deficit, the danger with this route was that candidates were often drawn unnecessarily into a discussion of expansionary fiscal policy. Although this approach did not lose them credit, it did waste time and resulted in candidates often overcomplicating and blurring the points they were trying to make whilst omitting rather more obvious effects.
- (b) This was answered far less effectively. Most candidates who chose this question managed, at least, to identify and offer some general explanation of the role of automatic stabilisers. Few however were able either to broaden or deepen this explanation into effective discussion. The most common attempt at discussion involved a consideration of the impact of opposite change in economic performance, for example, a contraction as opposed to an expansion of real GDP. Whilst this approach potentially had some merit, it usually produced largely repetitive answers which rarely scored much beyond a low Level 4 at best. Again there was little evidence of reference to the 'rules' based approach to fiscal policy in the UK.

UNIT 2888 ECONOMICS IN A EUROPEAN CONTEXT

General comments

The standard of performance on this paper was markedly more variable than in any previous session. At the top end, the very best candidates continue to respond with confidence and maturity to the synoptic challenge. Their responses are thoughtful and considered, expertly grounded in a mastery of the context and concepts underlying the stimulus material. What they offer is economic insights on the pre-issued stimulus material, incisive judgements on the issues raised by the Extracts and well-structured responses clearly focused on the task set by the question. Amongst such candidates, no doubt, will be budding economists who have assimilated the subject's toolkit and are well placed to continue their study of the subject beyond A Level. Inevitably there will be some in this group whose study of economics will have come to an end. It is heartening for their teachers that these candidates have an ability to critically assess and judge economic issues which they will draw upon in later life.

Teachers and Centres will want to draw lessons from the performance of not just the best performing candidates. This report perhaps gives greater prominence to the shortcomings seen in candidates' responses than it does to the brilliance of the high achievers. This is deliberate. It is hoped that Centres will make use of the information provided to improve the performance of all candidates preparing for this examination in the future.

It is worth drawing special attention here to the most important aspect of under-performance on this paper. There were many challenges presented by this session. The key one, though, is candidates' ability to focus on the particular directive and focus set by the question. Centres have grown used to the synoptic challenge over the years. They are aware that the best 'toolkit' available for candidates continues to be that containing the concepts, theories and techniques of the economist. Rote-learning of pre-prepared material can often divert candidates from responding to the question in front of them. A structured response which addresses the required directive words and the particular focus of the question is a better prop than any prior second guessing of the paper setter's intentions.

Candidates are advised to ensure that key terms and concepts in the Extract material are clearly understood and defined if appearing in a question. They should then draw upon their knowledge and understanding of economics to analyse the issue, problem or perspective with which they are faced in the examination. They should ensure that arguments are not just explained, but that they are assessed. This involves thinking of the strengths or weaknesses of the arguments or perspectives, what they might be dependent upon and what circumstances might make them significant or insignificant. Stating and explaining two different perspectives is not necessarily evaluation, particularly where a question asks candidates to consider the 'extent to which' a particular perspective is valid. Preparation for demanding evaluative questions such as questions 2, 3 and 4 begins with a critical examination of economic concepts and arguments, not extensive background briefings which some candidates are clearly reliant upon.

The challenge this paper sets to candidates to ‘think on their feet’, to respond as economists and to judge and assess is one that makes the achievements of those who succeed in rising to it, and those who help them to do so, worthy of the very highest praise.

Comments on individual questions

- (1) (a) In general, candidates appeared more familiar with the demands of this opening question on the paper. Responses were succinct and focused. Full marks could be achieved without the need for quantification of the comparisons made. Quantifications offered tended to be weak in their grasp of the nature of the data. The lack of precision in comparisons accounts for the low marks achieved by some candidates. For example, the data did not represent GDP, income and wealth and no credit was given for comparisons expressed in these terms.
- (b) This is the first time on this paper that candidates have been directed to use a diagram in their analysis. It was disappointing that the quality of the basic AD/AS diagram, first introduced in unit 2883, was so poor. The lack of accuracy in labelling axes prevented many candidates from achieving Level 2 of the mark scheme. As in unit 2883, examiners are looking for labelling which clearly distinguishes the AD/AS diagram from a microeconomic demand and supply diagram. Textually many candidates recognised that an increase in Ireland’s labour force participation rate would shift the AS and AD curves. The explanation of these shifts differentiated candidates in both Level 2 and Level 3 of the mark scheme. Understanding of the labour force participation rate was not as accurate as might have been expected, given its prominence in Extract 2 of the pre-issued stimulus material. Many candidates would have found analysis of the increases in labour force participation easier had they started their response with a definition of the term. It was common to analyse the impact in terms of increased employment, rather than from the perspective of an increase in the number of people willing and able to seek employment. Better candidates made this distinction, first explaining why and how the AS curve would shift and then showing how, under certain conditions, the AD curve would shift. Most were able to make the link from changes in AS and/or AD to GDP growth. There were some candidates who were side-tracked in analysing how the factors likely to have generated an increase in labour force participation rates in Ireland would impact on AS and AD. Such responses looked at the impact of lower income tax, reform of the benefit system and education provision for example. The analysis offered tended to lack focus on the question set.

- (2) This question represented a different take on an issue which has featured in previous question papers. To many candidates it represented an opportunity to show examiners all they knew, or had prepared, on the pros and cons of tax harmonisation. The purpose of the question was to get candidates to critically examine the idea that tax competition in the EU created 'harm' and to assess the extent of this harm. Whilst many candidates could show that some countries within the EU suffered from tax competition and others benefited, few commented on the extent of this harm. As a result, many candidates found themselves in Level 3 of the mark scheme. Within this level, differentiation between responses was possible on the basis of the economic analysis candidates offered to support either or both perspectives on the issue. Candidates who did not offer any analysis of the issues, writing descriptively, scored in Level 2 of the mark scheme.

Commentary on the extent of the harm created by tax harmonisation was offered by only the better candidates. It tended to be rather perfunctory, however. Candidates are well advised to tackle this aspect of the evaluative questions on the paper by making explicit judgement in their responses. Such judgements should be supported or informed by economic analysis and be developed beyond a throw-away line at the end of the response. Better candidates seem well-versed in applying the 'it depends' rule to such questions. For example, it could be argued that the extent of the harm created by tax competition in the EU depends upon whether FDI is simply displaced or whether low taxation generates higher FDI for the EU as a whole. Similarly, the extent of harm depends on the degree of interdependence between national economies. This approach to questions requiring commentary 'on the extent' allows candidates to blend evaluation with their analysis of the different perspectives on the issue examined. It also avoids the following common, but limp, conclusion: 'Tax competition creates benefits as well as harm. On balance, the benefits exceed the harm.'

- (3) Candidates were well versed in the ways in which the EU10 could raise their GDP levels. It was often assumed that this would lead to an increase in levels of GDP per capita. Few candidates questioned this, despite the obvious link to Extract 1. Good use was made of the pre-issued stimulus material; better candidates basing their analysis on the ways in which Ireland had previously achieved its economic miracle. Weaker candidates covered very much the same ground but did so descriptively and only scored in Level 2 of the mark scheme. Many also recognised that there were constraints on the ability to raise GDP per capita. Explicit economic analysis of the two perspectives on the issue enabled better candidates to rise to the top of Level 3.

Again, the problem for many appeared to be the requirement to comment on the extent to which the EU10 might be able to raise their GDP per capita by a significant amount. To address the evaluative demand of the question, candidates needed to judge the arguments raised. Examiners are willing to award top marks to responses that develop a single judgement on the extent well. A well structured response can give candidates this opportunity. Extract 3 provided much contextual information on the growth rates of the EU10 which led the best candidates to argue that the key to raising GDP per capita by a significant amount was the extent to which current rates of economic growth were sustainable. They then examined the factors which determined the sustainability of economic growth in the EU10.

- (4) In comparison to previous question papers, this question produced a much more pronounced distribution of marks. Many examiners commented on the large number of candidates whose responses were either irrelevant to the question set or whose focus was poor. Many very full responses to the question only achieved marks in Level 1 or Level 2 of the mark scheme. There seemed to be two main reasons for this: firstly, the extent to which candidates understood what membership of the eurozone involved; and secondly, the extent to which their knowledge and understanding of eurozone membership was linked to indicators of macroeconomic performance. Weaker candidates commonly exhibited poor technique in one or both of these areas.

It was hard to think why candidates at this level, and after a prolonged period of study of the stimulus material, should write about the pros and cons of membership of the EU and/or the Single European Market (SEM) rather than of the eurozone. Analysis and discussion of trade creation and trade diversion following tariff removal, of the impact of the SEM, of regional policy funding and the Common Agricultural Policy was not rewarded by examiners. Either candidates were genuinely ignorant of the terminology or they were determined to reproduce material which they had learnt during their preparation for the examination. Whatever the reason, the sheer prevalence of this approach this time around suggests that Centres would be well-advised to remind candidates of the dangers of reproducing pre-prepared material in their responses.

The emboldening of the words 'macroeconomic performance' in the question ought to have signalled to candidates that examiners wanted them to focus their response on the impact of eurozone membership on economic growth, inflation, unemployment and the balance of payments. Many did not do so. The weakest candidates made no reference at all to macroeconomic performance and wrote about the pros and cons (often microeconomic) of the EU's single currency. Such responses were awarded marks in Level 2 of the mark scheme. Where candidates showed explicitly how an aspect of macroeconomic performance might be improved and how an aspect of performance might not, then a Level 4 mark could be awarded – assuming both were tackled analytically. Examiners felt that a two-sided response to this question met the directive word of the question – 'discuss'. Weaker candidates produced answers which were analytically one-sided and were awarded marks in Level 3 of the mark scheme.

Again the 'extent to which' aspect of the question effectively capped the marks of all but the best candidates. A two-sided discussion, informed by economic analysis, was able to score up to 16 marks. Beyond this examiners were looking for explicit consideration of the strengths and weaknesses of, and dependencies in, the two perspectives. In effect this approach allows examiners to differentiate between low and high level evaluation. For example, membership of the eurozone would bring macroeconomic benefits of lower inflation, lower unemployment and higher GDP growth rates from reduced transactions costs, reduced exchange rate risk and greater price transparency. Macroeconomic performance, on the other hand, may be damaged by the loss of monetary policy sovereignty, fiscal policy constraints and asymmetric inflation targets. The extent of the benefits and costs of membership, though, would depend upon a range of factors including the degree of real convergence with the rest of the eurozone and the extent to which an individual country is affected by asymmetric shocks.

There were, as always, responses which tackled the final question with confidence, style and maturity. Whilst the weakest candidates struggled to offer much of value, the very best excelled and displayed skills of analysis and high level evaluation which were easily worth the award of full marks.

**Advanced GCE (Economics) (3812/7812)
June 2006 Assessment Series**

Unit Threshold Marks

| Unit | | Maximum Mark | a | b | c | d | e | u |
|------|-----|--------------|----|----|----|----|----|---|
| 2881 | Raw | 45 | 33 | 29 | 25 | 22 | 19 | 0 |
| | UMS | 90 | 72 | 63 | 54 | 45 | 36 | 0 |
| 2882 | Raw | 45 | 34 | 30 | 26 | 23 | 20 | 0 |
| | UMS | 90 | 72 | 63 | 54 | 45 | 36 | 0 |
| 2883 | Raw | 45 | 35 | 30 | 26 | 22 | 18 | 0 |
| | UMS | 120 | 96 | 84 | 72 | 60 | 48 | 0 |
| 2884 | Raw | 45 | 33 | 30 | 27 | 24 | 21 | 0 |
| | UMS | 90 | 72 | 63 | 54 | 45 | 36 | 0 |
| 2885 | Raw | 45 | 34 | 31 | 28 | 25 | 22 | 0 |
| | UMS | 90 | 72 | 63 | 54 | 45 | 36 | 0 |
| 2886 | Raw | 45 | 30 | 27 | 24 | 22 | 20 | 0 |
| | UMS | 90 | 72 | 63 | 54 | 45 | 36 | 0 |
| 2887 | Raw | 45 | 31 | 27 | 24 | 21 | 18 | 0 |
| | UMS | 90 | 72 | 63 | 54 | 45 | 36 | 0 |
| 2888 | Raw | 60 | 43 | 38 | 33 | 28 | 23 | 0 |
| | UMS | 120 | 96 | 84 | 72 | 60 | 48 | 0 |

Specification Aggregation Results

Overall threshold marks in UMS (i.e. after conversion of raw marks to uniform marks)

| | Maximum Mark | A | B | C | D | E | U |
|-------------|--------------|-----|-----|-----|-----|-----|---|
| 3812 | 300 | 240 | 210 | 180 | 150 | 120 | 0 |
| 7812 | 600 | 480 | 420 | 360 | 300 | 240 | 0 |

The cumulative percentage of candidates awarded each grade was as follows:

| | A | B | C | D | E | U | Total Number of Candidates |
|-------------|------|------|------|------|------|-----|----------------------------|
| 3812 | 22.7 | 45.8 | 64.7 | 79.3 | 89.1 | 100 | 5619 |
| 7812 | 31.3 | 59.0 | 80.3 | 93.3 | 98.9 | 100 | 4446 |

4446 candidates aggregated this series

For a description of how UMS marks are calculated see;

www.ocr.org.uk/OCR/WebSite/docroot/understand/ums.jsp

Statistics are correct at the time of publication

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