GCE

Economics

Advanced GCE **A2 7812**

Advanced Subsidiary GCE **AS 3812**

Report on the Units

January 2007

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Advanced GCE Economics (7812)

Advanced Subsidiary GCE Economics (3812)

REPORT ON THE UNITS

Chief Examiner's Report

General Comments

This report contains comments from Principal Examiners on the performance of candidates in the January 2007 examinations.

The general comments below cover wider issues arising from the assessment of candidate performance in this session. Specific points relating to individual units are contained in the various reports from Principal Examiners.

Candidate entries for 2881 were up by 1000 on January 2006. Although it is not possible to say if these were new or re-sit candidates, it is clear that more centres are now entering their candidates for the January session. It is also pleasing to record that some new centres have joined this specification. Entries for 2883 were up 20% on January 2006 – most of this candidature is from year 13 students. The total entry for this unit is now just below that for 2882.

At A2, entries for the two macroeconomic optional units were the same as in January 2006, with approximately equal numbers. For the remaining A2 units, entries increased by up to 20%, with the largest increase being for 2888. An increasing number of centres are seeing the benefit of taking this Unit in January, not least as a re-sit opportunity is then available in the following June.

All reports from Principal Examiners include positive comments about candidate performance. This is pleasing with the examination work from most candidates displaying clear evidence of effective teaching. Well done to all concerned.

The following additional points can be made:

(i)   On 2883 especially, some candidates were not issued with the answer booklet. Invariably, this did not help their performance and could have resulted in them receiving a lower mark than if the answer booklet had been used.

(ii)   There is still a tendency for some candidates to regurgitate the data provided in their answers to data response questions. This normally gains no marks.

(iii) On some units, 2883 especially this session, some candidates persist in reproducing rote-learned answers to questions. These answers are usually off the point of the question.

(iv) Some Principal Examiners noted confusion over terms, for example,

- Elasticity of supply and elasticity of demand (2881)
- Supply and demand curves drawn the wrong way round (2881 and 2888)
- Balance of payments and budget deficit (2883 and 2887)
- Contestability and competition (2884 and 2885)
- Foreign direct investment and foreign aid (2886)

2881: The Market System

General Comments

This was the eighth sitting on this unit as a one hour examination with an accompanying answer booklet. It was taken by around 6600 candidates, a 10% increase on January 2006. It is not possible to determine whether the increase was of new candidates or of those re-sitting the examination. In any event, of course, all candidates are assessed in the same way at AS Level standard consistent with QCA grade descriptors.

The style of question paper was similar to some that had been set in previous examinations, although it did contain new questions and was drawn from a different and, as it turned out, very current topic. It was well received by the candidates, with little evidence of timing difficulties. There was some misunderstanding though of the question requirement in two instances.

The overall assessment of examiners was that overall it was an appropriate test at this level, and provided every opportunity to spread the marks awarded. There were some excellent scripts from well prepared candidates. On the last question especially, there was clear evidence of sound Economics and good analytical and discursive skills from many candidates. Interestingly, though, it was noticeable that more candidates than usual performed well on the questions up to part (f) and then struggled to answer this part and part (g). Equally, there were some very good scripts that were spoilt by a failure to learn definitions carefully enough. As a result these candidates 'lost' relatively easy marks. These tendencies produced some bunching of marks in the 30 – 35 range out of the 45 marks available. From the candidates' standpoint, questions (b) to (e) were relatively straight forward. Question (a) caused unforeseen problems as did the comment aspect of part (f). Answers to question (g) were overall as good if not analytically better than has been the case in previous examinations of this Unit.

Other minor general points to note are:
- A marginal improvement in the ability of candidates to write extended prose. (This was noted by some assistant examiners and could be related to an increased entry from year 13 students)
- Some candidates lost marks for badly drawn, wrongly labelled diagrams when a little more care and thought might have made a difference

Could I please, once again, ask teachers to remind their candidates to make it very clear in the answer booklet when they have found it necessary to extend their answers onto the spare sides of paper at the end of the booklet.

Teachers who read The Times may have noticed that on Tuesday 16 January, two days before the examination, there was an excellent article in the Business Section on a 'mass exodus from Royal Mail.' (An on-line version is available although this is shorter and does not have the informative picture that is in the print edition.) This material may be helpful if you intend to use the examination paper in a class situation.

Comments on Individual Questions

(a)

(i) On the surface this was a straightforward opening question requiring a relatively simple answer. Although not asked before, as far as I can recall, the term 'market' is used in the unit title and stated as the first item of content in the second section of the subject content. Only about half of the candidates scored two marks here. It was also very noticeable that some of the very best candidates struggled to answer this question. Perhaps they thought it was too easy? All that was required was to describe that a market was where buyers and sellers meet to trade or exchange goods and services.

(ii) Answers to this part were really quite poor. The wording of the question, which stated the need to use the information provided, is clear and unambiguous. Ideally, the term 'sub-market' might have been used – this is not in the specification, although it is used in the OCR endorsed CUP text. It was therefore discounted. A large number of candidates interpreted 'market' as being 'market structure'. Their answers included responses such as 'monopoly', 'oligopoly' and 'free market'. Other candidates wrote in applied terms but often struggled to go beyond the obvious even though the case material provided various examples. The examiners were asked to be generous – one mark for instance could be gained for 'postal market' or 'the collection and delivering of letters'.

(b) After the problems posed by part (a), this question produced a welcome 4 marks for the vast majority of candidates. Up to 3 marks were awarded for a simple diagram showing a shift to the left of D, as a consequence of the fall in demand due to the increased use of e-mail and mobile phone texting. As the layout of the answer booklet indicated, a simple explanation of the diagram was required for an additional mark. Candidates not gaining 3 marks for the diagram invariable made silly errors, for example, not labelling the axes, drawing S and D the wrong way round or shifting S and not D.

(c) (i) Answers to this part were of mixed quality, with only around half the number of candidates providing a clear, concise explanation of 'inelastic supply'. A common error was to confuse supply with demand, for a part or whole of the definition. Some candidates scored one out of two marks for an answer that explained 'completely inelastic supply', that is the supply of goods is unaffected by any change in price.

(ii) Many of the candidates who scored full marks on part (b) also got 4 marks on this part for a very similar skill. The key here was to recognise that increased competition would lead to an increase in supply and therefore a shift to the right of the supply curve for postal services. A fair number of candidates failed to see this. Instead, they either shifted the supply curve to the left or in a small number of cases, shifted the demand curve one way or the other. Those who shifted S to the left were presumable looking only at Royal Mail's market and not the market as a whole. In such cases, 1 mark was usually awarded for the original market equilibrium on the diagram.

(d) (i) It is pleasing to report that, compared to some earlier examinations when questions on economies of scale have been asked, the response from candidates this time around was much better. Having said this, there is still a tendency on the part of some candidates to not see economies of scale as a long run concept and in other cases, to give a definition in terms of 'falling costs' rather than 'falling average costs'. Although the question clearly asked for a definition, some candidates gave an example – this got no marks. 2 marks were awarded where the two aspects of economies of scale, falling average costs and an increase in scale of the business, were recognised.

(ii) A wide range of possibilities were allowed here. The most common responses were in terms of technical economies (benefits of using machinery to sort postal items) or financial economies (as a large business Royal Mail can borrow money at a relatively low interest rate). There were some amusing explanations of purchasing economies, such as the Royal Mail being able to buy post boxes and red paint in bulk or purchasing stamps in bulk. The former were just about feasible. Many candidates gained 2 out of 3 marks available. These were awarded for recognising a particular type and elaborating its meaning for Royal Mail. The third mark was only given where there was recognition of how there was a benefit in terms of falling long run average costs. There were a few answers where the elaboration did not match the type stated. These usually got one mark.

(e) (i) This was very well answered, with at least 90% of candidates gaining 2 marks. In making this, a rather more generous view of 'new' was taken compared to some previous examinations.

(ii) There were also some very good answers to this question. As the mark scheme indicates, a wide range of possibilities could be drawn from the case material, either explicitly or implicitly. For the full three marks on each element it was necessary to make clear why the example provided constituted a barrier to entry for new firms. Not all answers went as far as this and were awarded 2 marks.

(f) This question was answered rather indifferently. Weaker candidates invariably had little understanding of its theoretical context. Most candidates saw this question as requiring an answer that considered alternative objectives to profit maximisation for new entrants into the postal market. The problem for many was the need to 'comment' on these objectives. Where a timescale was mentioned, for example, recognising that profit maximisation was more of a longer term objective, and that survival or sales maximisation were more realistic objectives in the short term, marks were awarded. The best answers, often gaining full marks were more analytical. They quite correctly pointed out the difficulty of actually knowing where the profit maximisation position of a firm was in practice, relative to the theory.

(g) The general quality of answers to this question was encouraging, with a higher percentage of candidates than in some earlier examinations reaching L4 in their answers. Within this level, assistant examiners were able to discriminate in a reasonably effective way, with 9 marks being used as a typical benchmark for an answer that contained some relevant discussion.

The crucial point to note about the question was that it related to Royal Mail's market position after the market is opened up to full competition. Although some discussion could be forthcoming with respect to the business mail market, for a really good answer, the likely effects on Royal Mail's traditional UPO sector market needed to be understood and discussed. The really good answers did this in terms of market structure.

The most obvious response was to say that Royal Mail was likely to remain a monopolist after the changes, particularly in terms of technical market share. Building on this, a good approach was to take the characteristics of a monopoly and consider the extent to which they had been undermined by opening up the market to full competition. There were some particularly good answers that considered the actual effectiveness of barriers to entry, for instance. A good number of candidates concluded that, in the future, the market was most likely to become an oligopoly. The best of these qualified this broad assertion by referring to the business mail segment and mentioned that, apart from say in major cities, Royal Mail staff would continue to deliver for the so-called 'last mile'. Given the writing time available, there were some commendable answers to this question.

At the other extreme, the answers from a small number of candidates were very short. This seemed to be more through a lack of knowledge than a lack of time. Answers that only drew on the case material were normally assessed at L2.

To end on a lighter note, two candidates whose scripts I saw literally thought that the Royal Mail was the postal service exclusively for the Royal Family! The concluding sentence to one answer stated 'I personally think that the Royal Family has lost everything and changed the market to an oligopoly.'

2882: Market Failure and Government Intervention

General Comments

With just over 2,000 candidates sitting the paper this was much in line with previous January sittings. Overall, the standard of response was very pleasing with many candidates able to demonstrate an excellent knowledge and understanding of wide areas of the specification. Indeed, it is extremely encouraging to note that many scripts contained a very high standard of economic analysis and evaluation which was duly rewarded. Centres are therefore to be congratulated for the thorough preparation which candidates had evidently received prior to the paper being sat.

Comments on Individual Questions

(a)   (i)   This question was well answered by the large majority of candidates who gained both available marks. That said, a small minority of answers gained no marks by referring to the characteristics of public goods (non-rivalry and non-excludability).

(ii)   The mean score on this question was 2 out of 4. Whilst the majority of responses managed a basic application of both excludability and rivalry, most did not develop their explanations sufficiently. For example, a candidate who stated that the prices charged for furniture meant that it would be excludable would gain one mark. A further mark was available for adding that non payers would be unable to benefit from the product or that those on low incomes who could not afford the furniture would therefore be excluded.

In terms of rivalry, most responses gained a mark for suggesting that consumption by one person would diminish the amount available to others. Few developed this in terms of stating that as they were competing for the limited amount of furniture which was available, that consumers were therefore 'rivals' for different furniture products.

Weaker responses tended to confuse the two characteristics and therefore failed to demonstrate a clear understanding of these.

(b)   (i)   This is the first time that candidates have been asked what a national minimum wage is and the large majority of answers received the mark which was available here. Those who simply repeated what was in the text, namely that it is a price control applied in the labour market, did not receive any credit.

(ii) Whilst nearly every response received some credit here, the full range of marks was awarded, with many responses gaining 10 marks for very clear diagrams and excellent analysis.

That said, a common mistake was for candidates to shift curves or to ignore the fact that the question asked for an explanation of the impact upon the labour market. Therefore those candidates who discussed the impact of rising costs on the firm and illustrated this with a shift of the supply curve were unable to gain full marks for the diagram. Likewise, a large number of candidates incorrectly referred to shifts in demand occurring as a consequence of higher wages being paid (rather than correctly noting that contractions of demand would in fact occur). That said, most responses gained at least 4 marks for the diagram, although often gained fewer marks for the explanations.

In the future, candidates are advised to try to explain their diagrams in a more concise, analytical manner, explaining exactly why changes to equilibrium occur. In essence, clear explanations which explicitly identify changes in supply and demand are needed here rather than general comments which do not necessarily gain explanation marks.

(c) (i) Many of the answers to this question were extremely impressive, with candidates displaying an excellent understanding of the drawbacks to the national minimum wage. Whilst most candidates were able to suggest that unemployment may occur, some candidates developed this further in terms of what level the minimum wage should be set at and the different impact that it would have in different industries. Clearly such an approach was well rewarded by examiners.

Further mature evaluation in terms of who exactly benefited from the minimum wage (and therefore whether it would be effective in reducing income inequality) was often provided. Candidates often developed this further by stating that if higher paid workers sought to maintain wage differentials and gained pay rises themselves, that any positive impact of the minimum wage in terms of reducing income inequality would be negated.

If there was a criticism of responses to this question it was that candidates often missed out the basic analysis of how a minimum wage could succeed in reducing income inequality. Simple recognition of the fact that it would raise the incomes of low income groups and thereby close the inequality gap between high and low income groups would have secured both analysis marks here.

(ii) On the whole this question was well answered. The majority of responses gained 2 marks for identifying two different policy options but often failed to develop/elaborate upon these policies sufficiently in terms of how they would reduce inequality.

(d) (i) This question was extremely well answered with a large number of candidates gaining the full 6 marks for clear definitions of the different types of efficiency. Whilst productive efficiency was usually well understood, sometimes definitions for allocative efficiency were somewhat vague. In a few, unfortunate, cases pareto efficiency was defined as being where it is possible to make one party better off whilst not making others worse off which was clearly the opposite of what is in fact the case. That said, overall this question was very well answered.

(ii)   In general, this question was well answered and numerous excellent scripts were given full marks for excellent discussion.

The most common form of evaluation was to discuss the possibility that increased competition would lead to the loss of possible economies of scale and therefore that productive inefficiency would occur. Other responses looked at the loss of possible dynamic efficiency gains over time if firms were unable to use abnormal profits to invest in research and development over the longer term. Where such evaluative comments were developed in terms of economic efficiency and linked in to the question set then candidates were well rewarded.

One common error was to look at economic efficiency generally without looking at the specific types of economic efficiency such as productive, allocative and dynamic efficiency. In the absence of clear evaluation, where candidates simply applied general knowledge about the benefits of increased competition in terms of lower prices and therefore lower costs of production, answers were limited to a maximum of 4 marks as they lacked the relevant analysis of economic efficiency.

Overall, candidates and centres are to be congratulated for their preparation and responses to this question which, on the whole, were very encouraging.

2883: The National and International Economy

General comments

Fewer candidates sit this paper in January than in June. In the case of both sessions the number of candidates continues to increase. Last June there was approximately 8,200 and this January saw the number increase from 1,560 to about 1,880.

In the January session there tends to be a higher proportion of A2 candidates re-taking the module to improve their UMS scores.

The text of this question paper was based on Italy's recent economic performance. As in previous examination sessions when the focus has been on another economy, specific knowledge of that economy was not required. The paper asked questions from across all the sections in the specification. There were questions on the measurement of economic performance, causes of changes in economic performance, benefits of international trade and fiscal and monetary policy measures.

Most candidates appeared to be reasonably well prepared and showed good management skills. This time, somewhat unusually, candidates tended to perform better on the second part of the paper with questions cii, d, e and f generally well answered. A pleasingly high proportion of candidates exhibited the ability to both analyse and evaluate in their answers to question f.
There were a number of excellent scripts with very few errors. Those candidates who did well:

- Paid attention to the command words.
- Used macroeconomics rather than microeconomics to answer the questions.
- Explained rather than asserted points.
- Made clear and appropriate use of AD/AS analysis.

Comments on individual questions

a) i)   This was generally well answered but a number of candidates defined it in terms of GDP or real GDP without recognising that it is an increase in real GDP or, in terms of long run economic growth, productive capacity. There were also some vague answers with reference to, for instance, economic improvement.
This is an important term and one which is quite often assessed on this paper.

   ii)   Some candidates struggled with this definition and a number of mistakes were made. These included stating it consists of trade in goods and services and that it is the balance of payments.
For some reason, candidates often seem to struggle with questions on the sections of the balance of payments and with international trade.

b) i)   There were a disappointing number of micro answers to both this question and to question ii with candidates referring to a rise in a firm's costs of production and an increase in demand for the product. This tendency to answer question in micro terms is one of the main reasons why candidates fail to score high marks.

   ii)   Some candidates failed to gain marks on this question either because they answered in micro terms or because their answers revealed confused understanding. In the latter case a number of candidates defined demand-pull inflation as a rise in the price level due to a fall in consumer spending. This confusion may have arisen from a misreading of the first sentence of the second paragraph.

iii)   This question elicited some excellent responses with candidates interpreting and assessing the data to provide support for their conclusion that it was cost-push and not demand-pull inflation. There was also, unfortunately, some confused answers with candidates deciding it was demand-pull inflation because aggregate demand had decreased. A number of candidates just repeated the text given.

c)   i)   To answer this question correctly candidates needed to appreciate that the rate is found by dividing the number unemployed by the workforce and multiplying by 100. Approximately half of candidates did this accurately. A significant number of the others divided the workforce by the number unemployed and gave as their answer 12.5%. Others forgetting that the unemployed are included in the workforce, added the unemployed to the workforce as part of their calculation. A few candidates had the right process but made a numerical mistake – this enabled them to gain one mark. In some cases the candidates did not appear to have access to a calculator. A small number failed to attempt the question.

       ii)   Most candidates were able to answer this question reasonably well. Some candidates dropped marks because they failed to explain adequately how the measures they had identified would affect unemployment. These candidates often jumped stages in their explanation. For example, some correctly stated a cut in income tax would be likely to raise aggregate demand and so reduce unemployment but did not explain the effect on disposable income, on consumption and how AD and unemployment are linked.

              A relatively small number of candidates sought to explain non-fiscal policy measures, most commonly a cut in the rate of interest.

d)   This was the best answered question on the paper. A high proportion of candidates produced clear and relevant answers showing a good understanding of how a cut in the rate of interest can influence aggregate demand. In this case most candidates did adequately explain the links between a change in the rate of interest and AD. A few candidates, however, revealed a confusion between saving and investment.

e)   Most candidates picked up a reasonable number of marks on this question. The strongest answers clearly explained two distinct benefits to consumers in sufficient detail. The three most popular benefits selected were lower prices, more choice and better quality.

       The reasons why some candidates failed to gain full marks were failure to explain in sufficient depth, failure to identify separate benefits, and failure to focus on benefits to consumers.

f)   There were some good and thoughtful answers to this question. These contained sound analysis and strong evaluation, recognising that the consequences of unemployment are influenced by the rate of unemployment, how long people are unemployed and the level of economic activity.

       There were, however, a number of answers which contained some confused statements. The most common mistake is one which has been commented on in a number of my previous reports. This is the confusion between production and productivity. A disappointing number of candidates wrote that a rise in unemployment would cause a fall in productivity when they clearly meant production. Another area of confusion was the effect of unemployment on the number of workers available and the wage rate. A number of candidates stated that unemployment leads to a shortage of workers and as a result, firms have to raise wages.

As in previous sessions a number of candidates sought to answer a different question. In this case this was what policy measures could be used to reduce unemployment and the consequences of inflation.

Key areas to work on

- Making greater use of AD/AS analysis in considering the causes of changes in macroeconomic performance, the application of macroeconomic policies and the consequences of unemployment, inflation, economic growth and a deficit or surplus on the current account of the balance of payments.

- Avoiding common confusions eg between:
  Investment and saving.
  Production and productivity.
  Fiscal and monetary policy measures.

- Not rushing answers. This includes:
  Checking the data carefully.
  Paying attention to the command words.
  Thinking through answers before writing.

- Answering the specific question asked. This applies particularly to the last question where sometimes candidates appear to have a prepared answer to a different question which they seek to twist to answer the actual question set.

- Placing more focus on the benefits of international trade in terms of benefits to the economy as a whole but also in terms of benefits to firms and consumers.

2884: Economics of Work and Leisure

General Comments

The candidate entry has slightly increased since January 2006, but the overall standard, both at the grade A and at the pass/fail levels, was pretty much unchanged. The paper seemed to be appropriate, with major areas of the specification covered, and as usual there was no evidence of any serious time constraint affecting candidates. Hardly any candidates infringed the rubric, and the general quality of written communication seemed to be in line with that in the recent past.

The data for Q1, in the form of two short newspaper extracts, did not cause candidates any difficulty, and it was encouraging that there were fewer instances than has sometimes been the case of candidates allocating their time unwisely in answering the different parts of Q1 ; thus, answers to the first three parts tended to be appropriately succinct, with discursive answers generally being given only to parts [d] and [e]. There were also encouragingly few answers to [c][i] which merely offered a diagram, on the assumption presumably that no further explanation was required, given that the examiner probably could understand it for himself or herself; instead, the overwhelming majority of answers gave an explanation as well as a diagram.

All three essays in Section B were answered by significant numbers of candidates, with Q2 being the most popular and Q3 the least. The most encouraging aspect of the majority of candidates' essays was that they seemed to have grasped to a greater extent than in the past what was required of them when they structured an answer to the part [b] questions ; it seems that "discuss" is beginning to be better understood! Unfortunately, this improvement was balanced by an unfortunate increase in the proportion of candidates who scored relatively poorly in part [a] of their essay; as is explained later in this report, there were specific errors made by significant numbers of candidates.

Comments on Individual Questions

1a) For the full 3 marks, candidates were required to identify the meaning of of the terms "median", "personal income" and "in real terms". Most correctly identified the median as a form of average and linked "real" with inflation, but perhaps surprisingly very few gave the meaning of "personal income", even though it was explicitly stated in lines 6-7 of Extract 1. The most common error was to state that "real" refers to income after tax.

 b) There were 3 clear statements in the extracts to the effect that women had improved their relative position, and candidates were required to identify 2 of them. Many did so successfully, and very few failed to identify at least one; the most common error was in the way in which the graduate gain of women being greater then the graduate gain of men was expressed.

 c) i) Most candidates were able to suggest one possible reason, though some of these were rather more convincing than others ; more importantly, the question required that the reason be explained, rather than merely stated. It was a little surprising how often the reason given was that the UK has moved to a services rather than a manufacturing economy, without it being specified why this should mean an increased demand for graduates. Another quite popular answer was "derived demand", without an explanation of where the extra demand has been derived from.

ii) This question was generally answered with reference to a diagram – although this was not actually required - and pleasingly most candidates used the diagram well in their explanation. A majority of answers, though, ignored the clear statement in Extract 2 which stated that demand for the skills of graduates had increased, and so explained the fall in the earnings advantage solely in terms of an increase in supply.

d) There were some excellent answers to this question, which demonstrated an impressive awareness of the issues involved. Others, though, tended merely to state possible reasons, without much attempt to explain them or, more importantly, to give some form of comment on them. It is important that candidates are aware that a question which asks them to "comment" is different from one which asks just for an explanation; such an explanation would usually be appropriate, but it should then be extended – perhaps by consideration of other implications, or of the practical likelihood of the phenomenon under consideration, or of underlying assumptions, or of the possibility that short- and long-run aspects may differ, for example. Usually, it is not possible for an answer to be awarded more than half-marks without there being some attempt made to make such a "comment".

e) The examiners were generous in their interpretation of what might be regarded as a suitable measure, although some measures offered were rather more likely to be practical than others. It was pleasing, though, that most candidates were clearly aware of what the term "discuss" implies.. Thus many answers tended to state a possible measure, to explain how it might operate to help to reduce female poverty, and also to consider possible downsides of it. Such answers were generally awarded good marks, and indeed some were outstanding. The weaker responses usually failed to link their suggestion[s] clearly to the objective of reducing female poverty. In addition, some saw the question as an opportunity to produce their learned answer on the minimum wage; whilst this could have been part of a perfectly valid approach, it needed to be closely argued in the context of the required strategy on female poverty and often it was not.

2a) The answers to [a] were of two distinct types. The majority showed a good grasp of the term "contestability", and the quality of the response then depended on whether or not the candidate made reference to appropriate examples, and whether or not there was consideration of potential as well as actual new entry, and barriers to exit as well as entry; many answers showed excellent understanding. However, there was also a not insignificant minority of answers which understood "contestability" to mean exactly the same as "competitiveness",.

b) In **b)**, there was the usual wide range of answers, in terms both of content and of quality. Some were quite outstanding, with an excellent grasp of the chosen leisure market demonstrated, and a clear focus maintained on a discussion of the extent to which a link exists between contestability and profitably in the chosen market. However, others had serious faults, of varying types: strangely, there were a few which chose to consider a non-leisure market – and such answers could gain little credit. Some concentrated on a theoretical consideration of the link between profitability and contestability, with little or no reference to an actual leisure market ; others explained their chosen market, sometimes in huge detail, but largely ignored the actual question asked. Some, of course, repeated their misunderstanding of the term "contestability" ; the "own figure rule" – that a candidate is not penalized twice for the same error – was applied in such cases, although many of them then went on to use the question as an opportunity to show all they knew about the theory of market structures, so that the credit earned was limited.

3b)   There was a similar dichotomy of types of answer to 3a compared to 2a [and, strangely, to 4a too], though this time the majority of responses were of the weaker type. These ignored the issue of "functions" altogether, and instead gave an explanation – often quite a good one – of why wages differ. It was decided to award such answers up to the top of Level 2. There were, however, also a few answers which did attempt to address the issue of functions performed by wage differentials, usually referring in some way to incentives and signaling mechanisms; such answers were, of course, rewarded highly. In [b], most responses were correctly aimed, and in particular did explicitly address the question of "more harm than good", encouragingly. The best ones were explicit too about the objectives of the policies they chose to consider – usually some combination of education/training, minimum wage, and maximum wage – and evaluated them either against each other or separately in terms of their benefits and possible drawbacks.

There are two final points to be made. Credit was not given for consideration of progressive taxation, on the grounds that this does not aim to reduce wage differentials. Secondly, candidates should be discouraged from attempting to trot out their standard minimum wage answer on every possible occasion ; whilst it was, of course, relevant here, it needed to be used in the context asked, and it was not sufficient in itself for a good answer.

4a)   Most candidates who answered this question showed a clear understanding of methods of measuring inequality in [a], and were also able to explain how their method could be used to make a comparison. Unfortunately a minority of answers misunderstood what the question was asking for, and answered it by trying to explain why the extent of inequality may differ between countries.

b)   In **b)**, again there were some responses which failed to grasp the point of the question, instead choosing to answer on methods of tackling unequal income distribution nationally – for example by progressive taxation, or [inevitably, I suppose!] by minimum wage legislation. Some credit was given to such answers if they were couched in terms of attempts to tackle income inequality within a region, as perhaps being at least an understandable misinterpretation. However, the majority of candidates clearly understood regional income inequality correctly, and most showed quite a good grasp of the issues involved. Again, too, it was pleasing that many candidates responded well to the "discuss" instruction, and both explained and evaluated one or more possible appropriate policies. Only the very best attempted to address the question of how the problem might be "best" tackled, inevitably.

2885: Transport Economics

General Comments

The question paper was appropriate to the candidates for whom it was intended and although of a similar standard to previous 2885 papers, the mean raw mark was significantly higher than on last January's examination. Both teachers and candidates appear to be more confident with the specification and the assessment criteria, with an increased use of both analytical and evaluative skills evident.

Most candidates had been adequately prepared for the examination although as in previous sessions there was disparity in preparation between centres.

There were again very few examples of rubric error (mainly answering all of Section B) and time constraint. It appears that the vast majority of candidates divide their time between sections usefully.

Marks were more spread on Section A. There were many good responses although the main failing of some candidates was their inability to apply economic concepts such as efficiency and contestability accurately to taxi services. Approximately 1% of candidates attempted question 4 in Section B on integrated transport policy with an application to rail. Roughly equal numbers attempted the remaining questions. This was surprising as many candidates chose rail as the passenger transport mode of choice in question 2 and made comments regarding integration that would have been relevant in question 4.

Again it is pleasing to note that a good number of candidates used appropriate diagrams to support their analysis in essay work. On the whole they were incorporated in the text, and more accurate.

Comments on Individual Questions

1   (a)   This was well answered by the vast majority of candidates although some did elaborate on deregulation and removal of barriers to entry, which was not required and was not a good allocation of time.

    (b)   This question discriminated well. Many candidates understood the concept of derived demand and were able to give an appropriate example with regard to taxi services. However some gave vague interpretations such as 'the demand for something else' and others lacked specific examples.

    (c)   The majority of candidates were able to write confidently about the positive impact of the provision of taxi services on local economies. Most were also able to consider negative effects but they did not always comment on the overall extent. The better candidates did make an attempt to do this and there were some useful comments on extent of the multiplier effect.

    (d) (i) A good proportion of candidates were able to state two characteristics of contestability in a market, such as the fact that the barriers of entry and exit were small or non-existent, there were no or low sunk costs and the number of firms in the industry was irrelevant. However some candidates were more concerned with the consequences of contestability in terms of long run normal profits. Consequently as in (a), a number of candidates wrote at length in this section despite the fact that the directive word was state and that only two marks could be awarded.

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(ii) This question discriminated well as there still remains confusion between contestability and perfect competition. Most candidates gained two marks for explaining that there was likely to be an increase in the level of competition in the market for taxi services and therefore only normal profits would survive in the long run. Better responses focused on the threat of competition in the market, ie the greater potential competition as a result of a reduction of legal barriers that would make incumbent taxi firms behave as though they were operating in a more competitive market.

(iii) Again this question discriminated well. The weaker candidates simply explained productive and allocative efficiency (sometimes without the terminology) with varying degrees of success. The stronger were able to consider both the wider implications of deregulation of taxi services for the bus and rail industries, and/or the quality of service for example in terms of safety that may be found with the reduction in quality regulation. The best answers combined this application to local transport with a sound understanding of different types of efficiency.

2) (a) The majority of candidates understood some determinants of demand for a chosen passenger transport mode and were able to make comparisons with other modes. Weaker responses offered rather descriptive accounts whereas the better candidates were able to provide an analytical approach by applying the main determinants of demand to a mode of transport and using a number of relevant economic principles, such as derived demand, price, income and cross elasticity of demand.

(b) This question discriminated well, but largely in level four as most candidates were able to use the concept of price elasticity of demand in evaluating the effectiveness of taxes and subsidies in an attempt to shift demand from car use to buses and trains. Some very good responses incorporated well-explained diagrams and assessed the merits of taxing car drivers (in a variety of forms) and subsidising bus and rail transport confidently. The best answers were able to provide underpinning analysis to support judgements made.

3) (a) Most candidates were able to present a diagram and in most cases it was used to explain the misallocation of resources resulting from traffic congestion. Most were also aware of the difference between private and external costs and the more able to emphasise the impact of the external costs of congestion on third parties, developing some of the costs rather than simply presenting a list. Unfortunately for a large minority the only external costs of congestion were environmental costs. As a result many candidates were unable to access the top of level three.

(b) There were many good responses to this question. Generally candidates directed their answer to the question set and, although considering alternatives to increasing the supply of road space, started with some reference to road building and improvements before considering road pricing. The vast majority realised that increasing the supply of road space could reduce congestion in the short run but it would not be the solution in the long run. Better answers gave clear explanations of this view or focused on the need for specific road building schemes such as bypasses to remove bottlenecks and the need for other policies to reduce the demand for car usage and therefore traffic congestion.

4)   (a)   The few candidates who answered this question understood the benefits of an integrated transport system. Most focused on the convenience of a system, which would allow seamless, smooth transition from one transport mode to another but did not explain the benefits of an integrated transport policy.

          (b)   Candidates demonstrated some knowledge and understanding of the present structure of the UK rail industry, in terms of its various component parts but had difficulty discussing the extent to which it contributed towards an integrated transport policy. The better candidates were able to discuss the rail industry in terms of a natural monopoly.

2886: Economics of Development

General Comments

There was a significant increase of 25% in entries. This is encouraging if it indicates greater interest in the module, although it resulted in a slightly longer tail than in the previous year. The data response question proved accessible with relatively few candidates failing to score in double figures. The essays proved more problematic with technique issues coming to the fore. There was a tendency to take concepts for granted rather than defining or clarifying them. There were a surprising number of cases where the central issue was not known accurately or even at all, this, unsurprisingly, undermined achievement. Cases included confusion between FDI and aid, the Harrod Domar model and Rostow's model and the informal and primary sector. There was quite extensive evidence of seeking to use extracts from one part of the paper to expand the answer to another. While it is usual to gain credit from demonstrating an understanding of the precise meaning of development it is not necessary to define it in the data response and both parts of the essay. It is unusual to meet any rubric infringements on a paper with such a straightforward structure yet a very small number answered more than one essay. There were also a number who omitted to tackle the final part of the data response. At the other extreme there were some answers which could hardly be bettered given the constraints of time and which demonstrated an enthusiasm for the topics, illustrated by a keen awareness of current events and particular cases. The belief that governments of developing economies are invariably corrupt remains disappointingly commonplace.

Comments on Individual Questions

1   The theme was the impact of mining on development in Peru and candidates were by and large able to make valid attempts at all parts.

   (a)   (i)   There were many brief, precise answers on the meaning of primary production that went straight to the heart of the matter. Others were more lengthy and descriptive and included unnecessary detail of the nature of activities in the sector for no additional reward.

         (ii)   Better answers referred to absolute or comparative advantage and supported the idea by considering the nature of factor endowment. It was possible to approach from either the strength or weakness in particular factors. Weaker answers tended to be general and talked about resources without detailing them.

         (iii)   Many candidates concentrated on the one industry being primary rather than it applying to any one activity. This was acceptable although the more impressive responses often stayed more narrowly with the concept of dependency. A weakness was to overlap what were really different examples of the same problem, rather than deal with distinct problems.

   (b)   It seemed strange that some candidates did not make fuller use of the evidence in the data. They either opted for other potential aspects, such as profit repatriation, which was acceptable or only considered one side of the argument, usually the benefits. The better answers made specific reference to development, distinguishing it from growth, while weaker answers found it difficult to get away from copying the data without commenting on it. On the whole the question was done well with sound analysis. Answers were often longer and more accomplished than those to part (c)

(c)   This final part, as is often the case, was the least competent. Candidates assume that the introduction of a policy is almost a guarantee of its effectiveness and rarely feel the need to justify it other than by describing its operation. There were some extremely unlikely policies suggested, such as industrialisation and labour subsidies. The main problem with these suggestions was their wide impact and lack of focus on the mining industry. Some candidates suggested policies to expand rather than to contract the scale of the industry. Tariffs were probably mentioned as often as taxes. Expected answers included increased tax and nationalisation and these were usually evaluated. There was a tendency to focus on effects other than the expansion of the industry. These included working conditions and the repatriation of profits, and were not usually presented relevantly. Most concluded that any policy would be limited by the need to encourage the benefits that mining generates in terms of employment and tax. Weaker responses made little attempt to judge policies after describing them in great detail.

2   The question examined the application of the Harrod Domar model to levels of development and the choice of alternative sources of development funding.

(a)   While the basic idea of the model was known, more precise understanding was less in evidence, particularly the point that a lower capital output ratio was needed to promote faster growth. Marks were missed because of this lack of precision. The most commonly recognised point was that developing economies, because of low incomes, would be handicapped by a low savings rate. Stronger answers included comment on attitudes to saving, financial institutions and economic stability. While other influences could gain limited credit, the focus of the question was the role of the factors involved in the model.

(b)   Disaster struck those who dealt with foreign aid or loans rather than FDI. Those who knew the concept were able to marshal an argument about the approach of multinational companies, which reflected both benefits and disadvantages. The use of local funding was sometimes dismissed briefly or ignored so resulting in a rather unbalanced response. Benefits that would occur with both sources e.g. multiplier effects were often claimed as specific to one of them, usually FDI. The issues of priorities and independence were set against limited funds and lack of expertise in the fuller answers. Given that FDI was understood, this was probably the best done of the essay sections.

Question 3

The impact of the informal sector and the effectiveness of governments in development policy were the focus of this question.

(a)   Some candidates retain the misconception that the informal sector relates only to illegal activity or only to subsistence farming. For the most part they also believe that the informal sector must be a rival to the formal sector and cannot complement it. Most suggested that the informal sector was mostly harmful and usually put much emphasis on the loss of tax revenue. Some saw dire consequences as a result of the existence of a growing informal sector. While recognising that these activities were not accounted for in GDP they concluded that this meant that the country was poorer in material terms. This indicated some misunderstandings of the nature of the sector's activities. There is a stronger case to be made for a beneficial informal sector than was known to many candidates.

(b)   It was intended that this question would generate a discussion of the competence of the governments of developing economies in pursuing development. The link to the informal sector as an example of a cause of lack of control was not appreciated. The usual approach was to identify and describe policies that might be used to achieve development. The descriptions were often very detailed. This resulted in judgement of the policies rather than the ability to implement them. This was a different interpretation but was very common and allowed for in the marking. Again the answers seemed pessimistic, with many answers only addressing the weaknesses or failings of developing economies, with no positives considered. It is possible to see hopeful signs if only in terms of external help, improving capability and the performance of newly industrialised economies. Weaker candidates found it difficult to establish a structure to approach the issues.

Question 4

The main issues were the importance of stable exchange rates and the policy of non-intervention in international trade. This was significantly the least popular of the questions.

(a)   Marks were fairly low on this part. Candidates were prone to write about high or low rather than stable exchange rates. While most related exchange rates to planning and import and export prices only the stronger moved on to consider investment, international debt and confidence. Those who did produced impressive answers. The impression gained was that the exchange rate was not a topic that had been encountered in a development context.

(b)   Candidates seemed to be more comfortable with this part. As always the better answers set the arguments in the context of developing economies and stressed issues such as infant industries and unequal trading power. Some took the opportunity to demonstrate up to date knowledge with reference to WTO discussions. Even limited answers were able to show knowledge of the means of intervention, the benefits of free trade and some argument for protection. The result was at least a competent standard. A less relevant approach was to consider free markets not necessarily in the international context.

2887 The UK Economy

The number of candidates sitting this unit continues to grow, with over 1000 entries recorded for the January 2007 paper – an increase of 53% in the last three years. On all the main statistical and judgemental criteria, the examination achieved clear and appropriate assessment of the specification content and skills which the unit is designed to test. In this context, it is also pleasing to be able to report that, in general, the quality of the candidates work is also improving - there was, however, once again an imbalance in performance between sections.

Section A continues to be answered far less effectively than Section B. Such high essay marks were offset by a poorer performance in the data-response section where the questions exposed inadequate subject knowledge. Answers in Section A were often characterised by imprecise or simply incorrect definitions of key terms and poor or muddled explanations of fundamental concepts. This concern over the data response skills that candidates are displaying in all AO areas has been referred to in previous reports and was addressed specifically in the last round of INSET.

Section A did however discriminate extremely well both between and *within* centres. This latter observation suggests that the variations in performance between questions reflected narrow and superficial revision by individual candidates rather than any instances of material not having been taught. The message to candidates is a clear one - thorough detailed subject knowledge is a pre-requisite for success in any exam, especially a data response paper in this unit!

The new format of Section B questions worked extremely well. The changes had been signposted in the previous report and at the Autumn round of training meetings. The overall standard of answers was higher than in January 2006 with less undeveloped assertion and more effective use of appropriate conceptual frameworks. Many candidates appeared to benefit from the context provided at the start of each question which helped them shape answers and guided them to more effective and relevant discussion. Each member of the examining team witnessed many examples of essay work that was quite simply outstanding and a credit to candidates and their teachers.

Greater comparability between Section B questions was achieved by standardising the wording of 2b, 3b and 4b – this also ensured that all candidates had broadly equivalent opportunities to display both AO3 and AO4 skills and that the risks associated with question selection, in the new format, were minimised. This approach to question wording may be used again but centres should not assume this will be repeated in all future exams.

Section A
1 (a) (i) In general candidates' knowledge of the current account was, at best, 'partial'. The question was intended to provide an easy 'two-mark start', however a score of zero was recorded by a significant minority, many of whom confused the current account deficit with the budget deficit.

   (ii) Most candidates managed to assert plausible causes of the current account differences they had identified. Fewer managed to develop their answers into genuine explanations based on economics. The best explained how, for example, variations in exchange rates or comparative/competitive advantage could explain the data. Other effective full mark answers focused on cyclical factors.

(b) (i)   Answers to this question were extremely variable. Alternative diagrams were accepted (see mark scheme) – but many were unable to use an elementary supply and demand approach. This is disappointing at this relatively late stage in a course in A level Economics. Credit was available for written comment alone but, in general, those who produced an accurate and relevant diagram were in a far better position offer more precise and effective explanations.

    (ii)   There were some very good answers to this question. The best candidates made effective use of a range of elasticity concepts before broadening into wider issues such as retaliation and international competitiveness - a brief conclusion often suggested policy options which could address the identified shortcomings of tariffs. Too many candidates, however, ignored the commentary aspect of the question. Whilst often competent in analytical terms, such answers were usually one-sided and unduly narrow. Weaker answers were descriptive, lacked appropriate technical content and employed loose, 'conversational' style expression. There were some candidates who wrote excessively long answers to this question – in several cases nearly two pages.

1 (c)   A wide variation in quality was observed in this question which consequently differentiated well. After a brief but effective analysis of the relationship between the current account, AD and real GDP, better candidates moved onto a concise technical discussion of one or two of the main issues linked to KPIs. Weaker candidates drifted into a generalised often conversational approach. Aside from those who focused on a budget deficit, others misinterpreted the question by considering either the causes of continued growth in the current account or the consequences of continued economic growth.

Section B

2   This was the least popular question in Section B. Coverage of specification content (AO1) in both parts was, however, generally sound. In Part (a), a common weakness was to drift into fairly descriptive comments related to general aspects of fiscal policy without addressing the specific question set. Notwithstanding the focus of Section A, some weaker candidates unfortunately confused the current account deficit and the budget deficit.

    Part (b) was generally handled well by those who had established a sound base in Part (a). The best answers used AS/AD diagrams to good effect with a pleasing number making reference to output gaps. The very best considered, in addition, the monetary side-effects of fiscal policy.

3   This was the most popular question and, in general, was done extremely well. The best answers to part (a) often followed the pattern of 'definition, example, explanation' and related a particular policy to a specific cause of unemployment. This was usually in terms of improving one or more aspect of labour market flexibility. Weaker candidates often drifted into a list of policies that could potentially influence aggregate supply but did not develop their answer in terms of lower unemployment.

    Part (b) produced some of the finest answers that the examining team can recall marking in this specification. Many candidates made accurate and relevant reference to advanced concepts such as output gaps, NAIRU and expectations augmented Phillips curves to produce technically accomplished answers which were developed into well-expressed coherent and analytical discussion. This work was comparable to the very best work of first year undergraduate economists. Less effective answers often either failed to establish an appropriate explanatory base or did not develop the discussion in the context of the specific question.

4   This was probably the most challenging of the three questions in Section B. The additional demands came from the need to consider a 'slowdown in the growth of consumer spending' rather than a 'fall in the level of consumer spending'. Candidates who addressed this issue directly were well rewarded. Those whose answers focused on a 'fall in the level' were still able to score high L3 marks if the analytical quality of their answers was strong. On a technical point, even some quite able candidates appeared a little confused between the terms real, disposable and discretionary income – an issue, perhaps, for teachers to clarify

The answers to part (b) were, at best, every bit as good as those to 3b but perhaps a smaller proportion achieved those heights. Weaker answers often displayed critical understanding of relevant issues but lacked adequate analytical foundations for their subsequent comments. Better answers made particularly good use of appropriate diagrams – these provided the conceptual framework for analytical discussion of a wide range of KPI issues.

2888 Economics in a European Context

General Comments:

The paper was sat by 993 candidates. This represents yet another significant increase on the January entry for this paper of 17%. Performance, whilst variable, was pleasing particularly in respect of the synoptic skills that candidates were able to display at this stage of the A Level course.

Improvements were noted in a number of key areas of the assessment of this module. These included:

- Better data handling skills, in particular a willingness to quantify trends;

- less paraphrasing of Extract material;

- a real attempt to analyse issues within the framework of economic concepts, theories and models;

- a willingness to support evaluative comments with economic concepts;

- less regurgitation of rote learnt material.

Of course, not all candidates were able to access the highest marks in the mark scheme and the reasons why are explained in the comments which follow for all questions. Nevertheless, centres are to be congratulated on the way in which they have prepared their candidates for this challenging module. The overall standard of responses seen was pleasing and the level of engagement with the stimulus material indicative of serious study and genuine interest in the economic issues raised.

Comments on Individual Questions:

Question No.

Question 1

(a) Candidates showed an ability to handle the data well and were able to identify and describe the main trends in Figure 1. Responses were, in the main, concise and accurate and it was pleasing to see attempts at quantification. Candidates who described the overall trend in both the consumption and production of gas and quantified the changes over the period 1987 to 2004 were able to score 4 out of the 6 marks available for this question. Descriptions of defined periods within the overall trend allowed the best candidates to reach full marks. Weaker candidates did not seem to understand what was meant by the term 'trend' and tended to describe annual changes in both series.

Question 1

(b) This is the second time that candidates' skills of analysis have been tested in relation to a specific diagram introduced at AS. The question discriminated effectively between those candidates who were able to apply their knowledge and understanding of the demand and supply diagram to the context given and those who were able to analyse likely reasons for the rise in the wholesale price of gas. The basic demand and supply diagram was well drawn and accurately labelled and most were able to recognise either that the demand curve had shifted right or that the supply curve had shifted left. The best responses then went on to analyse the reasons for these shifts, making effective use of the factors affecting the demand and supply of gas in Europe. Without this analytical reasoning candidates were limited to a mark of at most 7 out of 9. Valid analytical responses justified the diagrammatic shifts with reference to the derived nature of the demand for gas, rising incomes, rising GDP or changes in the price of substitutes. Figure 3 was also used to justify a reduction in the supply of gas as was

material in the introduction to the stimulus material about interruptions to the supply of gas from Russia and the anti-competitive behaviour of energy companies in some parts of the EU. Full marks were awarded to those candidates who recognised and analysed both changes in demand and changes in supply. Marks for analysis were not awarded to candidates who assumed that rising consumption and rising production in Figure 1 were sufficient to justify shifts of the demand and supply curves shown in their diagrams.

Question 2

It was expected that candidates would be able to analyse and comment on how the rise in the wholesale price of gas might impact on EU businesses, making use of concepts studied at AS and further developed in the optional A2 units. Weaker candidates seemed unable to offer analytical explanations of the impact or to base their commentary on the economist's toolkit of concepts, theories and techniques. Responses from these candidates invariably ended up being awarded marks in Level 2 of the mark scheme.

Better candidates made use of concepts of costs and profit and were then able to underpin their commentary with diagrams or other concepts. The best recognised that the impact of the rise in the wholesale price of gas depended on the proportion of total costs accounted for by gas and by the price elasticity of demand of the final product produced by businesses. At the top end of Level 4 of the mark scheme, candidates made effective distinctions between the impact on different businesses or commented upon the ease with which businesses might be able to use substitutes for gas and the extent to which the gas supply market was competitive.

Narrowly focused answers concentrated on the impact on gas supply businesses only and, consequently, were unable to achieve marks in Level 4 of the mark scheme.

Question 3

There was much confident and well-informed analysis of the benefits and costs of competition offered by candidates in response to this question. It was pleasing to see that what must have been recent study of the range of theories of market structure had been well understood by many candidates. A two-sided analysis of the issues was more often than not well-rooted in economic concepts and models.

Whilst many candidates were well versed in the theoretical comparison of competitive and monopoly market structures, fewer were able to offer the context required by the question. Examiners felt that purely theoretical arguments about the case for and against competition did not display real evaluation of the case for promoting greater competition in EU energy markets. Such responses, then, could only achieve a maximum mark at the top of Level 3 of the mark scheme. A contextual commentary was required to justify the award of Level 4 marks. At the bottom end of Level 4, it was sufficient for candidates to make some reference to EU energy markets. At the top end, it was expected that this context would be further developed. Better candidates recognised the benefits that 'national champions' might deliver in terms of economies of scale, the natural monopoly which characterised the distribution of gas and were able to argue convincingly that market concentration might deliver greater price stability than a more competitive market.

The weakest answers did not show any economic analysis of the advantages and disadvantages of more competitive markets and their arguments were confined to general issues about choice or assertions about prices and efficiency.

Overall, the analytical content of many answers probably was pleasing to see but needed to be balanced by the context set by the question.

Question
No.

Question 4

This question gave candidates a great deal of scope to engage in sustained and detailed analysis and evaluation of the methods by which government intervention can be used to correct market failure. Some candidates chose to cover a number of different market failures, whereas others chose to focus on one market failure but cover a range of different policy responses. Examiners felt that either of these two broad approaches was valid and should be capable of accessing the highest marks on each of the levels of the mark scheme. Where the focus was on only one market failure and one policy response, however, candidates were only able to access half of the marks in each of the levels. It was felt that this discriminated fairly between the narrow and broad interpretation of the question.

The most common response to this question was to focus on the negative externalities created by the consumption and production of gas and to consider at least two policy responses. The most popular policies were the carbon tax and the European emissions trading scheme. Good knowledge and understanding of the two policy approaches was displayed by very many candidates. This was often developed effectively in terms of an economic analysis of how the policies might reduce the market failure arising from negative externalities. Weaker candidates, though, took the nature of the market failure for granted and simply talked about the way in which emissions or pollution would be reduced. The extent of the link between the policies and the market failures allowed effective discrimination between candidates' responses.

Many responses were able to explain both the advantages and disadvantages of carbon taxes and the emissions trading scheme. As a result, such responses justified the award of marks in Level 4 of the mark scheme. Without a comparative assessment of the different policy approaches, however, candidates who adopted this approach were limited to a maximum mark at the min-point of Level 4 (16 marks). In effect examiners were distinguishing between two different levels of evaluation, an approach which successfully discriminates between the 'good' and the 'excellent' response. Marks at the top end of Level 4 were reserved for those candidates who could show an awareness of what factors determined either the pros and cons of a particular policy approach, could suggest how the advantages might be maximised or the disadvantages reduced or could reach a reasoned assessment of the 'best' policy approach to reducing the market failures in the EU energy markets. So the very best candidates examined ways of ensuring that the international competitiveness of the EU did not suffer from government intervention in the energy markets, or looked at ways in which 'fuel poverty' might be tackled.

There were some mature and impressive responses to this question, indicating a thorough grasp of economic concepts and a real interest in the issues raised by environmental economics. Synoptic skills were well evidenced by these responses.

Advanced GCE Economics (3812/7812)
January 2007 Assessment Series

Unit Threshold Marks

Unit		Maximum Mark	a	b	c	d	e	u
2881	Raw	45	33	29	25	21	18	0
	UMS	90	72	63	54	45	36	0
2882	Raw	45	32	28	25	22	19	0
	UMS	90	72	63	54	45	36	0
2883	Raw	45	35	31	27	24	21	0
	UMS	120	96	84	72	60	48	0
2884	Raw	45	32	28	25	22	19	0
	UMS	90	72	63	54	45	36	0
2885	Raw	45	34	31	28	26	24	0
	UMS	90	72	63	54	45	36	0
2886	Raw	45	33	3 0	27	24	21	0
	UMS	90	72	63	54	45	36	0
2887	Raw	45	33	29	26	23	20	0
	UMS	90	72	63	54	45	36	0
2888	Raw	60	46	41	36	32	28	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	16.3	41.3	63.0	81.5	93.5	100.0	196
7812	12.5	35.0	75.0	92.5	100.0	100.0	53

249 candidates aggregated this series.

For a description of how UMS marks are calculated see;
http://www.ocr.org.uk/exam_system/understand_ums.html

Statistics are correct at the time of publication

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