

Economics

Advanced GCE A2 7812

Advanced Subsidiary GCE AS 3812

Report on the Units

June 2007

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Advanced Subsidiary GCE Economics (3812)

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2881 The Market System (Written Examination)

General Comments

The examination for this unit was taken by around 6100 candidates, an increase of 300 from June 2006. This is indicative of the increasing interest in Economics in many schools and colleges, although it is not possible to determine how many of the entries are new centres as against re-sit candidates. Irrespective, all candidates are assessed to the same AS standard.

The style of question paper differed from that set in June 2006. It was similar to that set in previous examinations but with new questions. It was well received by candidates and was clearly an accessible and interesting topic. The Chinese context was interesting, although no particular knowledge of China was required in order to answer the questions in an effective way.

The view of examiners was that this was a straightforward question paper, providing a fair test at this level. At the top end, there were some excellent scripts from well prepared candidates who were able to demonstrate a very good grasp of all three sections of the specification. As in previous examinations, a good mark was usually the result of a Level 4 answer to the final 12 mark question. For a mark beyond 38, candidates usually needed to score well on parts (c)(ii) and c(iii).

There were a surprising number of candidates who found the question paper beyond their capabilities. These tended to be concentrated in particular Centres.

It was also noticeable that, compared to some previous examinations, answers to part d(ii) where continuous prose was required, were very variable in length. In some cases, this was most likely due to a lack of knowledge and understanding; in other cases though candidates appeared to have misallocated writing time by spending too much time on their answers to parts (c)(ii) and (c)(iii).

Comments on Individual Questions

- (a) (i) This was a gentle opening question; one which had been asked on several previous examinations. The majority of candidates scored two marks for an explanation which made reference to the 'next best alternative' and the 'sacrifice' that is given up. So, the phrase 'next best alternative forgone' gained full marks. More long-winded answers tended to go into detail of how opportunity costs might apply. These usually gained one mark provided the underlying principle was understood.
- (ii) Most candidates gained full marks for a simple but clearly labelled diagram. For four marks, a straight line or convex to origin Production Possibility Curve was required on which more than one production possibility was indicated, hence 'the choices' in the wording of the question. Some candidates did not do this, nor did they indicate a point on the PPC to represent the choice of vehicle types which could be efficiently produced. Such answers gained two marks.

A small number of candidates did not label the axes in an accurate way, although 'vehicle A, vehicle B' was accepted. What was not accepted were labels such as 'producer goods, consumer goods' or 'good A, good B'. A very small number of candidates put 'price and quantity' on the axes – this is clearly wrong and no marks were awarded for this.

- (iii)** This part of the question provided more of a challenge; although most candidates scored one mark for a simple recognition that if more higher performance vehicles were produced then this would mean less production of basic saloon cars. For the second mark, an explanation of re-allocation was required. A good way of doing this, as some candidates recognised, was to refer back to the diagram which had been drawn in the previous part of the question. An explanation in terms of words was equally acceptable.
- (b) (i)** The purpose behind this part of the question was to get candidates to draw upon the case material to identify why there is an increased demand for cars in China. About 60 per cent of candidates did this effectively; the most common reasons were an expanding population, new found affluence and the car being more convenient than other forms of local transport. These determinants of demand are clearly given in the case. Two marks were awarded where candidates stated that these determinants were responsible for an increase in the demand for private cars. Some candidates failed to say this and gained one mark only for an identification.
- (ii)** A large proportion of candidates obtained six marks on this part of the question. Up to four marks were available for a correctly labelled diagram showing the increase in demand and subsequent increase in the supply of private cars. These changes in demand and supply are represented by shifts to the right in the respective demand and supply curves. The new equilibrium position would usually mean that the price was higher and that the quantities demanded and supplied would have increased. In some cases candidates shifted D and S to the right with an outcome of no change in price. This was equally acceptable, as were two separate diagrams. Further marks were awarded for a written explanation of the way in which the market equilibrium might have been affected.

Some candidates produced a diagram which showed just one change, usually a shift to the right of D. Such answers could gain four marks maximum, two for the diagram and two for an appropriate explanation. A small number of candidates recognised the correct shift of D but then showed a shift to the left of S. Again, a maximum of four marks was available in such cases.

Overall, this was a straightforward question drawing upon information which was very clearly stated in the case study.

- (c)** The three sub questions in this part required a knowledge and understanding of income elasticity of demand. Most candidates had some knowledge but varying degrees of understanding of this particular elasticity concept. Overall, parts (ii) and (iii) provided a clear basis for differentiation.
- (i)** Most candidates were able to give a clear definition. A correct formula was acceptable for two marks. A less than precise definition, where the importance was understood gained one mark. Some weaker candidates confused price and income elasticity of demand or in a few cases, gave a formula where the numerator and denominator were transposed.

- (ii) This is where the problems began for some candidates. A common error, often after a correct definition in (c)(i), was to then answer this part of the question from a price elasticity of demand perspective. Occasionally, and fortunately, one mark or even two marks were awarded for recognising that the two estimates were elastic and more elastic. Usually though, answers obtained no marks as this explanation was embedded in wrong explanations.

Just over half the number of candidates scored four marks on this part of the question for clear explanations which covered some of the possibilities contained in the mark scheme. Other mark combinations depended on the extent to which candidates were able to differentiate between the two estimates. This differentiation could be in terms of the types of good or the response of their demand to a change in income.

- (iii) This was a challenging question for most candidates. Previous examinations had asked for an explanation and commentary on the business significance of elasticity measures other than income elasticity of demand.

Two marks were available for recognising that the two estimates indicate positive future business prospects for both car manufacturers and domestic airlines. The estimates could also be used for making crude forecasts. Any reasonable explanation along these lines gained two marks. The comment aspect usually related to the quality and reliability of the data or the problems of relying on data of this type over time. A few candidates made the particularly apt comment that businesses could do nothing to influence income changes.

Performance on this part of the question was particularly variable between Centres. Some candidates clearly understood how income elasticity estimates might be used, although few went on to make an appropriate comment. Many candidates failed to see the point of the question. A common mistake was to write in terms of price elasticity of demand even though on the two previous parts, income elasticity of demand had been understood.

- (d) (i) A wide range of correct characteristics of oligopoly were accepted. Having said this, with respect to barriers to entry, it was essential that 'high or substantial' or similar was incorporated for the mark to be given. For the few firms characteristic, it was similarly necessary for 'large' to be included in the answer. An elaboration with respect to the function of high barriers to entry or reference to market share in the case of few large firms was needed for full marks. These were the most popular responses. Others are referred to in the mark scheme.

Candidates not gaining four marks sometimes did not explain the stated characteristic or in a small but significant number of cases, gave characteristics that were indicative of other market structures.

- (ii) As in January, a higher percentage of candidates than in some earlier examinations reached Level Four in their answers. Within this level, Assistant Examiners were able to discriminate in a reasonably effective way; nine marks was used as a typical benchmark for answers which contained some relevant discussion. This could be in the form of two or three superficial points or one in-depth discussion of a particular issue.

The mark scheme contains further guidance on the possible subject responses at each level of response. An obvious approach was to consider the case evidence and to discuss the extent to which this matched the main characteristics of an oligopolistic market.

Typical Level four answers focussed on whether the barriers to entry that remained in this market were sufficient for it to remain an oligopoly and the extent to which the market share of the three or four largest firms met this particular characteristic. At the top end of this level, the answers from some candidates questioned the market structure (near monopoly or monopolistic competition). There were also some very good answers from candidates who evaluated the evidence, pointing out that there was insufficient information to make a very precise assessment of the extent to which the market structure really was that of an oligopoly.

At the bottom end of the mark range, there were some candidates who seemed content to do no more than regurgitate the case material in context. This was usually assessed at Level two. Where elements of analysis were included, then the answer moved into an Level three response. Candidates in some centres had been well drilled on concentration ratios – where correct this was a Level three response. In other cases, it was either a lack of knowledge or a lack of time which was responsible for their Level one and Level two mark.

2882: Market Failure and Government Intervention

General Comments

Once again, nearly 9000 candidates entered for the June sitting of the paper, making this one of the largest entries for 2882 yet.

Overall, the general standard of response was extremely pleasing with candidates clearly finding the stimulus material accessible and using this opportunity to demonstrate a very good understanding of economic theory. In addition, many answers showed that candidates already had a very clear understanding of the problems of disposing of chewing gum which could only enhance their ability to apply economic theory in this context!

Nevertheless, it was very pleasing to see that candidates were very well prepared for this paper and also that they were able to apply relevant theory in a very competent manner.

Comments on Individual Questions

- (a) (i) This part of the question was well answered with many candidates using the stimulus material to correctly identify a possible external cost and, thereby, gaining one mark. In addition to this, many responses gained both explanation marks for correctly applying economic theory to their explanation. The most common explanation was to state that this was an impact upon a third party which gained both explanation marks. Unfortunately, some rather vague answers simply implied that there was an impact upon other people and therefore only gained one mark for the explanation.
- (ii) On the whole, this part of the question was answered less well than a (i) although the large majority of responses gained at least one mark. That said, it was unfortunate that a small minority of candidates misread the question (explaining a possible external benefit from chewing gum) thereby gaining no marks. Having said that, a large majority of candidates were able to use the article to explain that chewing gum may reduce tooth decay or provide satisfaction/enjoyment to the individual consumer. Fewer, however, went on to state that this was a benefit to the individual decision maker/did not involve a third party and in the absence of such clear economics, candidates did not gain full marks.
- (b) (i) On the whole, responses to this part of the question were very pleasing with a very large majority of candidates gaining at least one mark. Better responses were able to focus upon the fact that inadequate information about possible costs and benefits often lead to the wrong choices being made. Clearly such very good responses gained both marks. Having said that, even weaker scripts tended to pick up a mark here for recognising the fact that there might be inadequate information available to consumers.
- (ii) Once again, most responses gained some credit here, although a few answers made the mistake of trying to explain merit goods. Better answers focused upon the fact that demerit goods either give rise to the creation of external costs or that they are goods associated with information failure. Either of these approaches gained two marks. Unfortunately, some candidates tripped up here by simply providing examples of possible demerit goods rather than explaining the term which is what the question requested.

- (iii) In contrast to the previous two parts, this question was less well answered. Many answers simply regurgitated definitions of demerit goods without actually providing an explanation as to why they resulted in market failure. Many answers gained no more than two marks here, with candidates failing to look at the possible impact of over consumption on the allocation of resources in a free market economy. That said, a small minority of candidates did gain full marks for excellent answers which reflected very sound knowledge of this particular area of market failure, as well as good analysis of how over consumption would result in a misallocation of resources.
- (c) (i) Whilst the diagram part of the question was answered well, with many candidates gaining the full six marks here, there were some common diagram errors made by a small minority of candidates.

A few responses tried to apply AS/AD analysis here which was not accepted, and whilst it is perhaps understandable that candidates sitting several AS papers in the same afternoon will confuse theories, it is absolutely vital that the correct analytical framework is used to analyse market failure. Another mistake, seen more than once, involved diagrams which showed a leftwards shift in the demand curve rather than a contraction along it. Finally, as ever, a few responses muddled up supply and demand. With three marks available for the three different curves, such a simple slip proved to be very costly in some cases. Centres would be well advised to encourage candidates to check diagrams very carefully in order to avoid inadvertently switching the two curves.

The explanation part of the question was handled less well by candidates. Whilst a significant number of responses still gained full marks, too often candidates failed to gain marks as a result of vague statements which did not indicate the direction of change. For example, an answer which stated that "price ends up at P2" would not receive a mark whereas the response which stated that "price rises to P2" would do so. Candidates should be encouraged to make clear, concise statements which make explicit reference to the direction of change in their responses.

That said, these factors aside, this part of the question still saw many, well prepared candidates gaining full marks.

- (ii) Many candidates gained two marks for explaining the benefit of increased tax revenues and what these could possibly be spent on, but then failed to explain a second benefit in any detail. Whilst a few candidates were able to explain the benefits of taxation by internalising negative externalities, and others developed the idea of taxation as being a market based solution, such responses were few and far between with many answers falling back on the simple comment that taxation would raise prices and, therefore, result in a contraction of demand. As a result, only a relatively small minority of answers gained full marks.
- (iii) This part of the question produced some outstanding answers with many candidates gaining full marks for an excellent discussion of taxation backed up by solid analysis.

The most popular discussion point raised by candidates was that of price elasticity of demand. Many candidates were able to develop this well by looking at how taxation would not reduce consumption by any significant amount if levied on goods with highly inelastic demand. Where such answers were well developed then four evaluation marks could be gained on this point alone. If candidates could learn anything from this session it is the need to develop their answers fully. Having said that, some responses picked up all four evaluation marks for simply listing four different criticisms of taxation as a solution to market failure.

- (d)** There were some excellent responses to this part of the question in which candidates showed a maturity of understanding and a grasp of economic theory which went well beyond AS level. Such responses were a pleasure to read.

A minority of candidates, however, scored badly on this question because they wrote out what may well have been pre-prepared answers on taxation. Unfortunately if answers contained no direct discussion of the limitations of regulation (as the question required) then no credit could be given. It is, therefore, absolutely vital that candidates answer the question which is set – they are much more likely to gain some credit by doing this, rather than writing out responses to questions which they hoped would appear on the paper.

Better responses looked at the limitations of regulation in terms of enforcement costs and then developed the difficulties of deciding what level of fines to introduce and what exact level of regulation should be set. Candidates scored more highly where they took time to develop and explain each evaluative comment in turn.

In summary, whilst the performance of candidates was very pleasing, two aspects of development can be identified for the future:

- 1** on explanation to diagrams, concentrate on providing clear, concise explanations which focus upon the direction of change.
- 2** where evaluation is required in an answer make sure to explain and develop each evaluative point before moving on.

Finally, whilst examiners are very impressed by the amount of often excellent material written by candidates in one hour, examiners would be most grateful if candidates could clearly indicate that they have continued answers on the back pages of the answer booklets or on extra sheets to save the confusion of finding extra material after the original answer has already been marked!

Report on the Units taken in June 2007

2883 The National and International Economy

General comments

A record number of candidates sat the examination this June. The text of this question paper was based on the Vietnamese economy but specific knowledge of that economy was not required. The paper tested a relatively wide spectrum of the specification, drawing on all four sections. There were questions on the measurement of economic performance, the relationship between government spending and taxation, the causes and consequences of economic growth, exports, monetary policy and aggregate demand and aggregate supply

Some candidates found it be a challenging paper and struggled with certain questions. A few candidates did not attempt all of the questions but this did not seem to be the result of poor time management. The most frequently missed out questions were ei and eii.

The paper showed that some candidates have a weak grasp of monetary policy and a much stronger understanding of aggregate demand than of aggregate supply. It also emphasised the need for students to apply their knowledge to different types of questions rather than to learn set answers to expected questions.

The best answered questions were ai, aii, ci and cii. The questions which elicited answers with the greatest range of marks were bii, eii and f.

The candidates who gained high marks exhibited a strong knowledge of a range of areas of the specification, the understanding of which pieces of their knowledge to apply, an ability to explain in a logical and lucid manner and the skill to evaluate in a relevant way.

Comments on individual questions

- (a) (i) This was generally well answered although, as in some previous sessions, some candidates implied that the unemployed are not part of the labour force/are economically inactive.
- (ii) Again most candidates handled this question well. Some, however, defined it as the total demand for an economy rather than the total demand for an economy's products.
- (b) (i) This was an unfamiliar diagram to most candidates. It was, nevertheless, expected that most candidates would be able to discern that tax revenue was greater than government spending and from that to conclude that there was a budget surplus. The majority of candidates did state that tax revenue exceeded government spending and a pleasing number did recognise that this meant there was a budget surplus.
- (ii) Most candidates stated that there was a positive relationship but not all went on to analyse the relationship. The better answers explained how a rise in real GDP would be associated with higher income, which would lead to more direct tax revenue, and higher spending, which would cause a rise in indirect tax revenue.

- (c) (i) The strongest answers were provided by candidates who could explain the links between an influence and economic growth. Some candidates missed stages. For example, some wrote that an improvement in education and training would raise productivity but did not go on to explain the link between higher productivity and economic growth.
- (ii) There were some good answers to this question with the two most common benefits being higher living standards. A number of answers stated a benefit but did not adequately explain how the benefit would derive from economic growth. A number of candidates identified an increase in exports without explaining why this would occur with economic growth. Others wrote that there would be an improvement in the current account of the balance of payments, failing to recognise that economic growth can result in a rise in both exports and imports.
- (d) (i) This was a well answered question with most candidates recognising that exports are an injection.
- (ii) Not many candidates picked up on the word 'more'. Most candidates wrote in static terms. The strongest answers focused on a fall in the value of the £/rise in the value of the Vietnamese currency and a rise in incomes in Vietnam.
- (e) (i) A disappointing number of students failed to identify two examples of monetary policy measures. A few did not attempt the question, and a disappointing number gave examples of fiscal and supply-side measures.
- (ii) There was a wide disparity in the answers to this question. There were some excellent ones which provided strong analysis and evaluation, most usually of a cut in the rate of interest. Some candidates who scored highly on the rest of the paper wrote a very strong analytical answer that failed to evaluate and so lost marks. A disappointing number wrote about fiscal or supply-side measures.
- (f) Again there were some excellent answers to this question but also again some very weak ones. The strong answers were those that addressed the question directly and lucidly. The weak answers were those which either showed confused thinking or which sought to answer a different question. For some reason a number of candidates wrote that an increase in aggregate supply would cause inflation. Some candidates seemed to have prepared an answer on the effectiveness of supply-side policies and concentrated on discussing whether such policies would increase aggregate supply. Other candidates wrote about the effects of an increase in aggregate demand or, in a few cases, the effects of a decrease in aggregate supply.

Key recommendations:

- Stress to candidates the importance of reading questions very carefully, including command words and answering the specific questions set.
- Urge candidates to attempt all questions.
- Prepare candidates to apply their knowledge in a variety of settings.
- Build up depth of analysis of causes, consequences and solutions to macroeconomic problems.
- Ensure candidates are aware of the differences between fiscal, monetary and supply-side policies.
- It is useful to encourage candidates, when answering the last question, to analyse first and then to build on the analysis to evaluate.

2884 Economics of Work and Leisure

General Comments

The examination for the first time attracted over 1600 candidates, very few of whom were at a weak standard. The Examiners were impressed by the overall quality of scripts, with slightly more than 25% being awarded grade A and almost 90% being deemed of at least grade E standard. It is particularly pleasing to read so many answers which demonstrate good knowledge and understanding of relevant economic concepts and principles, allied with an ability to apply them in real-world labour- and leisure-market contexts. The very best scripts, indeed, as well as being a pleasure to read, and a great credit to those who have prepared the candidates involved, certainly compare very favourably to those produced in A level Economics over the years.

Very few scripts showed evidence that candidates had difficulty completing the paper in the time allowed. There were hardly any scripts which infringed the rubric. The quality of written communication was on a par with that demonstrated in other recent sessions.

Unusually but not uniquely, the compulsory data response question was on section 5.4.2 of the specification. Furthermore, its context was not one of the leisure markets explicitly named in the specification. However, this did not cause any problem for candidates, no doubt partly because its cinema industry context is one that is familiar to many A2 students anyway; also because no specific knowledge of the industry which was not given in the text was required in order to answer the questions asked. Indeed, the general standard of answers to Q1 was probably slightly higher than sometimes in the past. This reflected the fact that candidates responded generally more appropriately to the instructions in parts [c][ii] and [d] to 'comment' and to 'discuss', respectively.

In Section B, all three questions attracted a reasonable number of candidates, with Q3 being the least popular. As always, the most common reason why some candidates failed to do justice to their true ability in the subject was their failure to answer the precise question which was asked. Several particular examples of this are given in the comments on individual questions which follow, but all Examiners made comment on the frustration of reading answers which clearly represent learned and apparently well-understood material, but which were not directed at the particular and explicit demands of the question asked.

In all three essay questions, the second parts were generally answered more successfully than the first. A disappointing number of scripts showed limited understanding in their answers to their chosen part [a], whereas most candidates were able to respond much better to the instruction to 'discuss' in part [b]. Many demonstrated good knowledge here, and an ability to evaluate, with appropriate analytical underpinning, which is exactly what is required to produce good answers.

Comments on Individual Questions

- (1) (a) This was generally very well done, with few candidates merely regurgitating data, and most identifying a couple of major trends in the data as presented - the fall 1946-85, and then the slight recovery thereafter, in most cases.
- (b) Again, this was generally well done. The most common approach was to take a couple of the standard factors which influence consumer demand, and to apply them to the market in question - which was exactly what the Examiners were looking for; growth of real incomes, and changes in preferences in favour of cinema-visiting, were probably the most advanced reasons.
- (c) It was clearly essential here that candidates understood the meaning of 'increasing concentration', and the vast majority of candidates did ; for those who did not - the most common misconception was that it was merely an alternative phrase for increasing competition, though a small number thought it referred to geographical location. No credit could be given in part [i] if this error was made, but an 'own figure rule' was then used in part [ii], so that credit was given if the candidate gave appropriate explanation and/or comment , allowing for her/his initial misunderstanding.

Most candidates, though, were able to give, and in most cases also to explain reasonably well, two reasons in [i] for increasing concentration in the industry ; one was usually, using the text, related to counteracting the power of the Hollywood distributors, and the other was often linked in some way to the gaining of economies of scale. Part [ii] was generally less well done, though probably there was an improved performance compared to equivalent questions in the recent past, in that more candidates than not did at least attempt to provide some 'commentary' as well as a straightforward explanation. There were several possible perfectly valid approaches to the question; what mattered was that a candidate both justified the approach taken - eg that consumers might suffer through price rises and reduced choice - in the context of the cinema industry, and also provided some form of commentary on that approach - eg that the increasing concentration could possibly, in contrast, generate some form of oligopoly-type price war. Weaker answers tended to ignore the cinema context altogether, and to give an entirely theoretical answer, or to ignore the instruction to 'comment'.

- (d) This question generated lots of very encouragingly high-quality answers, which demonstrated both an awareness of relevant economic concepts and principles and also an impressive ability to apply them to a familiar real-world context. Thus many candidates used their understanding either of traditional market structure theory or of contestability to inform their discussion, but in a way which did not merely reproduce learned material, but instead showed an ability to incorporate it in discussion of the possible impact of the entry of easyCinema as postulated in the text. Quite a number of answers used easyJet as a comparator; the best also considered possible difficulties of transferring similar operations to the cinema industry. Very few answers failed to gain decent marks to the question for their explanation of at least one possible consequence, and many went further in the direction of some form of evaluative discussion too.

- 2 The general standard of answers to [a] was disappointing. This was for two main reasons: many candidates failed to recognise that poverty is not synonymous with inequality; and also many failed to address the question which was asked, concerning measurement. Thus sometimes quite extensive answers often gained little reward, either because they related to inequality rather than to poverty, or because they gave explanations often of the causes of poverty rather than of how it can be measured. On the other hand, there were a small number of answers, often very succinct, which answered the question very precisely, and so gained due reward ; they explained the meanings of both relative and absolute poverty in a country such as the UK, and suggested methods of measuring the extent to which poverty exists in each case.

Part b on the other hand was quite well answered. Most answers successfully identified possible policies, and explained how they would operate. The most common policies referred to were minimum wage legislation, targeted or universal benefits and progressive taxation which incorporated some form of tax benefits. The weaker ones tended to go little further, but most did, by linking their suggested policies to poverty-reduction ; strangely, even answers which had regarded poverty and inequality as the same in [a] usually successfully considered how poverty was being addressed in [b]. However, only the higher-quality answers then also went on to discuss the effectiveness of their policies - and only the very best on a comparative basis, as the question required. It should also be pointed out that where a question asks explicitly for two policies to be discussed; candidates gain nothing by considering more than two.

- 3 Some candidates had clearly been very well prepared on the topic of 'net advantages' of occupations, and were able to give full and accurate answers to [a], usually also incorporating impressive application to two contrasting occupations, as was required. On the other hand, there were also answers which demonstrated some fundamental misconceptions; most commonly, these were that the concept does not include the basic wage earned, or that it excludes negative aspects of an occupation.

The answers to part [b] generally showed a good grasp of why different occupations earn different amounts, whether in terms of pay or more generally of total 'net advantage', in terms of different demand and supply influences - and this was an essential component of a good answer. Such answers also often correctly stressed the importance of the short-run/long-run distinction, and gave relevant examples to illustrate the points they were making. However, what was lacking from all but a tiny minority of answers was recognition of the paradox involved in the scenario set up by the question - that if an occupation both offered higher pay and was generally regarded as being more attractive, then a perfect labour market should work to remove its net advantage superiority in the long run; thus the fact that it does not do so must reflect market failure. Decent evaluation of the reasons which candidates gave for the scenario to exist enabled them to reach Level 4 in the mark scheme, but only those who also recognised the above paradox were awarded the very top marks.

- 4 The answers to part [a] showed considerable variety, in the approach they took, as well as in the quality of the economic understanding they displayed. The weakest tended to confuse supply and demand influences, or to say little other than the fact that supply curves of labour are upward-sloping, without even attempting to address possible reasons why. On the other hand, most did go much further than this, with the main variation between them being how they interpreted the short-run/long-run distinction. Some used income/leisure trade-offs as the basis of their answer, and concluded that it was not necessarily the case for all individuals that hours of work offered would be an increasing function of the wage in the long run. Others concentrated more on the response to a wage rise of supply to an occupation from those currently not employed in the occupation, with differing elasticities being central to their answer. Both approaches enabled candidates to access the highest marks, as did answers which covered both aspects of labour supply.

In part [b], virtually all answers made suggestions of appropriate policies ; the weakest merely listed such policies, the better ones explained how the policies would work to increase supply to the occupation in question, and the best evaluated their suggestions in terms usually of how effective they might be. [The exception to this was the small number of answers which did not address the question at all, in that they merely produced learned answers to a different question, usually concerning policies to address general labour market failure.] However, only a very small number of answers were fully convincing, in that they explicitly addressed the nature of the shortage postulated in the question.

2885: Transport Economics

General Comments

The question paper was appropriate to the candidates for whom it was intended although the mean raw mark was lower than last June's examination. On the whole teachers and candidates appear to be confident with the specification and the assessment criteria, although there was much disparity in performance between centres.

There were again very few examples of rubric error (this time mainly candidates who did not attempt an essay) and time constraint. It appears that the vast majority of candidates divide their time between sections usefully.

Both sections discriminated well. There were many good responses to Section A with the main failing of some candidates being their inability to apply economic concepts accurately to analyse and evaluate transport trends. Roughly equal numbers attempted each essay question. Most candidates were able to make evaluative comments in part b but many lacked specific focus on the question set and/or failed to underpin judgements with sufficient depth of analysis. The most disappointing feature of the paper was that a large number of candidates attempted to answer part a of the essay question from a base of knowledge rather than using economic theory.

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 accurate.

Comments on Individual Questions

Q1a) The majority of candidates were able to gain two marks by saying that there were more trips by car and fewer trips by other modes of transport. Unfortunately, only a minority of candidates gained the third mark by providing a critical comment such as the overall fall in the number of trips or that walking trips fell the most.

b) This question discriminated well. Most answers were able to focus, by exemplification, on the fact that 'miles travelled' would give a better indication of the distance travelled and, therefore, the actual demand on the transport infrastructure. Candidates gained the third mark through a critical understanding that the demand for transport is a composite measure of passengers and distance.

ci) This question was generally well answered often with a degree of sophistication relating to the oligopolistic bus market, the reduction in subsidies and even using the data regarding the increase in the use of substitutes eg light rail. Discrimination was largely through the depth of explanation. The major weaknesses in answering this question were not using simple economic analysis and a reluctance to focus on explaining the 'decline' in bus journeys outside London and instead explain why bus use was low in general. Such answers were given some credit.

cii) Most candidates were able to identify and explain one government transport policy aimed at reversing this decline in bus use outside London. These included the provision of subsidies and the processes of deregulation and privatisation. Many, however, did not offer any evaluative comment such as the effectiveness of the policy would depend on a number of factors, such as the size of the subsidy given, how it was used and the importance of demand elasticities.

d) This question discriminated well. Very few candidates did not understand the concept of sustainability. The majority did show a good knowledge and understanding of the concept but some did not apply it to transport trends and instead focussed on policy. The better answers offered a very balanced and well-structured discussion, contrasting the positive aspects, such as the greater use of buses in London and the increase in demand for trams and light railways, with the negative aspects, such as the increase in car use and the decline in walking and cycling. The best answers underpinned judgements made with sophisticated comments regarding the impact of present resource use on future generations.

2a) Most candidates were able to relate to oligopoly markets. Weaker candidates simply shifted the demand curve to the right and did not explain the effect of increased demand on pricing and output decisions in an oligopoly. Others presented the kinked demand curve and attempted to shift it to the right with varying degrees of success. The more able presented coherent arguments explaining the possible effects of an increase in demand on an oligopolistic market relating to high barriers, collusion, interdependence and market share. Candidates should be reminded that on such a question as this (pure theory of market structures) there is no need to apply to a transport market and appropriate application to any oligopoly market can gain credit.

2b) This question discriminated well. The weaker candidates described changes in the market particularly the introduction of budget airlines following deregulation. The more able distinguished between the short and the long haul markets, analysing and discussing the impact of deregulation, and non-impact so far in the transatlantic market, on the structure of the industry. The best answers were able to provide underpinning analysis to support judgements made e.g. some barriers such as brand loyalty being reinforced by major airlines and making the market less contestable.

3a) Most candidates presented a diagram to explain the misallocation of resources resulting from environmental costs associated with increased transport use. Most were also aware of the difference between private and external costs but did not make the significance explicit. The best answers emphasised the impact of the external costs on third parties and explained why not taking such costs into account resulted in overconsumption and hence misallocation of resources in transport.

3b) There were many good responses to this question. Candidates were able to discuss the contribution that estimating such environmental costs could make towards correcting the market failure associated with increased transport use, especially in terms of helping to internalise the externalities by making the polluter pay. Many candidates did not really focus on the issues of how such costs might be estimated. Those who did gave accounts of the potential advantages and disadvantages of different methods of estimation including cost benefit analysis. Evaluation largely concentrated on the point that it would not

always be easy to put a monetary value on such environmental costs and that there might also be issues of inaccuracy and political bias.

4a) Most were able to relate to some economic benefits of road construction mainly through the impact of reduced congestion on businesses and workers. Better responses analysed how road user and business costs could fall and revenue rise. The more able also clearly distinguished between the private and external benefits of road construction.

4b) This question again discriminated well with the majority of candidates able to show an understanding of whether forecasts of demand for road traffic on their own should be the basis for making decisions on road construction. Discrimination largely concerned the extent to which judgements were supported by economic argument. Most candidates considered cost benefit analysis and many contrasted this with COBA, stressing the limitations of the latter. The better answers focused explicitly on the question assessing the problems of forecasting demand for road transport and providing a critical analysis of a full cost benefit analysis for decisions on road construction

2886: Economics of Development

General Comments

There were some very impressive scripts which combined the virtues of wide, up to date understanding with a concise and relevant writing style. Essay Questions 2 and 4 particularly brought out good use of interesting examples. Some candidates conveyed a genuine interest in the issues being examined and sometimes expressed their arguments quite forcibly.

One aspect stood out above any other in considering candidates' performance. This was the need to know precisely the meaning of the technical terms used in Development Economics. This applied in each of the essays where, in turn, sustainable development, balanced growth and structural adjustment programmes were sometimes given the candidates own interpretation. This resulted for those candidates in answers with considerable irrelevance and thus correspondingly low marks. These terms were known to the majority of candidates who had clearly met them in the correct context and were able to write about them in an effective manner. Other long-term problems persist for some candidates. These included near illegible handwriting, unfamiliarity with the requirements of structuring an essay, the compulsion to force one or more theories into the answer, providing only examples taken from the data response and writing at excessive length in the data response at the expense of the essay answer.

Comments on Individual Questions

Section A

Question 1

The data response question focussed on the comparative growth and development performance of Sierra Leone and South Korea.

- 1 (a) (i) Candidates were required to explain the reasons for the 'real' and 'per capita' elements of real GDP per capita for measuring development. Often, only one element was tackled, more usually the population aspect. There was some confusion in believing that per capita figures showed the distribution of income for an economy.
- (ii) Identification of the comparative change between indices of real GDP per capita in the two economies was needed to contrast positive against negative growth. There were some impressive, concise answers which highlighted percentage changes. Weaker answers showed a misunderstanding of index numbers and contrasted levels rather than rates of change or gave overly descriptive responses.
- (b) (i) This part of the question required candidates to explain how high levels of real GDP per capita and high levels of primary school enrolment might contribute to economic growth. There were many good answers on primary school enrolment which linked literacy and numeracy to skill levels and productivity. While some candidates linked high real GDP per capita to spending and saving ability and went on to consider aggregate demand and investment, others merely asserted that high real GDP per capita was the same thing as economic growth. The latter answers lacked any explanation. Many read the question as rising levels of real GDP per capita rather than high levels.

- (ii) The best answers to this part of the question, on the relative levels of development of the two countries compared with a developed economy, not only reached clear conclusions on the levels of development of each country but also recognised exceptions to the conclusion. The degree of detailed knowledge of some candidates was impressive. Some were able to distinguish between economies on the basis of World Bank income classifications as well as broader, more general classifications. Weaker responses were either overlong and unwilling to omit consideration of any statistic or compared South Korea and Sierra Leone with each other rather than with a developed economy. Answers which approached the question through the Lewis or Rostow model were less convincing than those which used a 'features' approach. Overall, however, a good standard was reached.
- (c) Candidates were expected to make a judgment about the responsibility for low levels of development. Some were unwilling to attribute fault or blame and simply described the position faced by economies with 'low levels' of development. This occurred particularly within the question of high levels of debt which were often recognised but fault was attributed to neither borrowers nor lenders. Stronger responses were willing to take a decision. The usual arguments referred to misconceived policies, corruption and resistance to change as the responsibility of the less developed country itself and set these against colonial history, unfair trade arrangements, exploitation and lack of natural resources. There were frequent references to dependency theory. The World Bank came in for much criticism. The length of some answers was almost equal to that of an essay and reduced the time available for Section B. The topic generated some interesting and heartfelt discussion.

Section B

Question 2

This question considered the idea of sustainable development and the extent to which the actions of multinational companies promote sustainability.

- 2 (a) Most candidates were able to give a correct definition of sustainable development, usually containing a reference to future generations. There were some very knowledgeable answers which distinguished between a weak and a strong interpretation of the term. The better answers considered the issue of maintaining resources as more than just natural resources and went beyond the problems of pollution and natural resource depletion. Answers did not always emphasise the case for the benefits of development, rather it was assumed. A worrying aspect was that some candidates did not know this as a technical term and suggested their own definition which amounted to 'sustained' growth. This approach scored poorly.
- (b) There is no doubt that candidates look forward to a question on the impact of multinational companies on developing economies and usually score well on the topic. The key to high marks in this case was to link the impact to sustainability rather than economic growth. Those who turned out a general response without making the link gained limited credit. The best answers were able to make good use of recent examples of a more ethical approach to investment and to demonstrate the difference between an exploitative approach and one which sought to minimise long term harm.

Question 3

The themes of the question were industrialisation and the suitability of a policy of balanced growth for developing economies.

- 3 (a)** Some candidates saw this as their opportunity to introduce a theoretical model. This might have been Lewis's model on structural change, Harrod- Domar on growth or Rostow on stages of development or a combination of these. This could be valid but it required the candidate to select the appropriate elements rather than spell out the theory verbatim. Good answers started with a clear definition of the term, highlighted the beneficial features, such as higher productivity and greater value added and went on to demonstrate the benefits, such as higher quality of life and faster economic growth which may result.
- (b)** As in Question 2 the central term (in this case balanced growth) has a precise meaning. Not all candidates understood this and invented their own particular balance. This may have been imports and exports, agriculture and industry, public sector and private sector but it was not the equivalent of the 'big push'. Those who did know the term tended to assume the benefits of the approach and concentrated on the associated problems. A significant number of candidates had been anticipating a different question on balanced versus unbalanced growth and wrote as though this had been set. Again elements are obviously relevant but needed to be made explicit. Of those who took this approach a majority wrote more on unbalanced than balanced growth.

Question 4

The structural adjustment programmes of the World Bank and their success in promoting development needed to be discussed in this question. This proved to be by far the least popular question, yet produced some of the strongest and weakest responses.

- 4 (a)** Structural adjustment programmes are aimed at overcoming, among other things, poor economic performance, lack of competitiveness, high inflation rates and low growth, which result from excessive and inefficient state intervention in an economy. Government set prices, overvalued exchange rates, state regulation and budget deficits are some of the targets of a structural adjustment programme. Those candidates who understood this were able to write relevantly and score well. Those who interpreted structural adjustment as industrialisation did not score well.
- (b)** While the features of a structural adjustment programme involve a reversal of the features found under strict state regulation and consequently an improvement in the areas of underperformance, not all candidates expressed this clearly, often repeating what they had written in part (a). The drawbacks of the introduction of the programmes were better known to candidates. Good points were made about resulting inequality, incidental casualties and the limitations of a 'one size fits all approach'. Candidates were up to date and gave examples. The same hostility to the activities of the World Bank which was shown in Question 1(c) resurfaced here.

Given the problems faced by candidates in structuring their answers between the two sections Examiners were directed to view the totality of the answer before confirming the final mark.

Report on the Units taken in June 2007

2887 The UK Economy

General Comments

Over 1500 candidates were entered for this examination. There was a wide variation in the level of performance, with two very notable features regarding the candidates' responses to this paper. Firstly, there was a failure by a significant number of candidates to appreciate the specific requirements of some of the questions. This problem will undoubtedly be of concern to those teachers who have stressed the requirement to do this, but it would appear that this needs to be reinforced. Answers to question 1 (bii) and 1 (c) suffered particularly due to some candidates failing to recognise the difference between production and productivity. Secondly, the use of evaluation continues to improve and those candidates who were willing to present evaluative comment in part (b) of the essay question scored very high marks. Candidates should continue to be encouraged to give informed discussion in their responses as this is the key to high marks.

As was the case in the January 2007 session, the data question was less well answered, although the team commented that candidates lost marks by failing to follow the directive word on questions (bii) and (c). Nonetheless, many candidates, despite failing to distinguish between production and productivity were still able to access the majority of the marks on offer for both of these questions by providing valid discussion when required to do so.

There were some excellent responses to the essay questions. In general terms, part (a) revealed an increase in the number of candidates demonstrating explanatory skills and therefore gaining a Level 3 mark. However, some responses remain brief, thereby making it difficult for candidates to move beyond a demonstration of valid application of knowledge (Level 2). In part (b), candidates should be reminded of the need to support their answers with the use of AD/AS diagrams, tables and other tools of analysis so as to provide the platform for the evaluative discussion required for the highest marks.

Comments on Individual Questions

- 1 (a) (i) A straightforward question that caused very few problems.
- (ii) There were a mixed set of responses to this part. The majority of candidates gained both marks, but there were some imprecise answers with candidates failing to recognise the difference between rates of change and levels. Common errors referred to "both domestic demand and real GDP fell over the period 2004 to 2005"
- (iii) Generally well answered. Many candidates recognised the relevance of net trade, whilst others cited the difference as being a consequence of the existence of a 'hidden' economy.
- (b) (i) The majority of students used the data effectively to score at least two marks, with a pleasing number providing sufficient development to gain the third mark.
- (ii) There was a mixed set of responses to this part of the question with only a small minority gaining full marks. Many candidates failed to distinguish between production and productivity and therefore failed to recognise the importance of relative unit costs. Some did recognise the impact upon prices and were given credit. Nonetheless, many candidates who struggled to make the distinction were still able to gain marks for clearly commenting upon the role of other relevant factors – wage rates, role of non-price factors etc.
- (c) Once again, this last question of Section A proved to be a discriminator, with many students simply describing rather than analysing appropriate policies designed to

increase capital investment, or how capital investment might lead to an increase in productivity. Whilst a number of candidates struggled to discuss the effectiveness of such policies, others demonstrated an excellent grasp of the question and considered the relevance of the quality of the workforce and management, as well as the relevance of productivity growth having to exceed that of international rivals if the productivity gap is to close.

Section B – Essay Questions

- 2 (a) This was the least popular question of Section B. Despite being explicitly asked for in the question, many candidates failed to provide an appropriate diagram within their response and often simply described how the rate of exchange is determined. Nonetheless, there were a number of excellent responses with candidates able to explain (via supply and demand analysis) both the process and impact of intervention.
- (b) With the exception of a few Centres, most candidates gave very limited responses to this question and simply made a number of unexplained assertions regarding the exchange rate. However, there were some excellent responses, with the better candidates able to clearly discuss the relative merits of a free market and/or interventionist approach.
- 3 (a) This was the most popular question and it proved to be a good discriminator. Whilst better candidates demonstrated a clear explanation of relevant influences upon the level of savings in the UK economy, weaker responses simply identified factors that might affect savings. Candidates often provided models of interest rate determination and these were deemed to not be evidence of valid analysis unless the candidate clearly explained why changes in the rate of interest might affect the level of savings – simply stating that higher interest rates means higher rates of saving was evidence of application of knowledge, rather than valid explanation.
- (b) There were some comprehensive and well written discussions to this question, with a significant number of candidates able to provide good discussion of the impact of savings on economic growth. The examination team noted that candidates reached level 4 from either supporting or rejecting the hypothesis. Those candidates that performed best more often than not used an AD/AS framework to analyse the statement, and this allowed them to use this as a basis to evaluate convincingly. Again, there were relatively few weak performances to this question reflecting the recent improvement in candidates' higher order skills.
- 4 (a) This proved to be a popular question and drew out a number of excellent responses. Many candidates, as expected, used Lorenz curve analysis to explain how changes in income equality could be measured over time. A number of candidates referred to the Gini coefficient and whilst not required, they were given credit. However, as in the past, a significant number of candidates failed to consider how a change in inequality is measured and simply demonstrated how income inequality is measured. This oversight prevented candidates from gaining a mark at the top of Level 3.
- (b) There were a number of excellent responses to this question, with many candidates providing valid evaluative commentary. Candidates are clearly informed on this area of the syllabus and were able to consider the relevance of the quality of life when considering the standard of living in the UK, whilst others recognised the importance of both public services and environmental issues. In the main, there were relatively few weak responses to this question, but these tended to simply describe how 'greater real income growth' might improve the UK SoL.

2888: Economics in a European Context

General Comments:

Whilst this was an accessible paper for all candidates, some of the individual questions posed real challenges for many. These challenges appear, once again, to be related more to examination technique than they do to content, context or skills. The importance of writing to the precise demands and focus of the questions set cannot be emphasised too strongly. More so than in any other session, candidates who did not perform strongly did so largely because they did not address the question set. The case for government intervention to reduce negative externalities, the problems of unemployment and the case for protecting EU manufacturing industries was either ignored or treated descriptively by weaker candidates. As a result, such candidates found it difficult to access Level 4 of the mark schemes for Questions 2, 3 and 4, this was because their responses were one-sided or showed only a critical understanding of the issues.

Data handling skills were in general very poor on this paper. It was surprisingly common for candidates to interpret the data in Fig. 1.1 as actual output figures and display confusion about the nature of indexed data. The concept of data indexed to a base year seemed not to be understood and many candidates erroneously compared the level of output between countries. Fig. 1.2 showing textile and clothing output relative to the output of the manufacturing sector as a whole was in the main ignored. Descriptions of changes in the data did not make use of percentage changes. Comparisons of external trade were largely descriptions of individual sets of data or years, leaving Examiners to infer the comparisons on behalf of many candidates. Lengthy prose responses are still the norm. Candidates must be reminded to approach the opening question on the paper using bullet point lists and not to attempt to analyse or evaluate the data. Too much examination time is still being used to little effect on this question.

Overall, whilst the quality of the best candidates' responses continues to show evidence of the synoptic challenge being confidently addressed, the over-riding impression from this session was of significant weaknesses in very many candidates' ability to write responses focused on the directions given by the questions set.

Comments on Individual Questions:

- 1 (a) Performance on this part of the question was, on the whole, weak. The ability to handle economic data presented in familiar ways in order to make succinct comparisons of first output and then external trade was lacking in most responses. In comparing the textile and clothing output in the UK with that in Italy, too many candidates compared the index of output between the two countries rather than the trend over time. Statements suggesting that one country's output was higher than the others could not be awarded any credit, since the data did not allow any such inference. It was common for candidates not to look at the whole period, but instead to single out individual years or sub-periods. Quantification of trends was rare and, where offered, of little value due to a reluctance to use percentage changes. Fig. 1.2 was not used by very many candidates, even though it allowed additional comparisons of output. The external trade data was poorly handled by all but the best candidates. There were many comparisons of EU exports and imports of textiles, followed by comparisons of exports and imports of clothing but very little comparisons of textile trade with clothing trade. Again, a lack of focus on comparisons "over the period" meant that Examiners were unable to give credit to often large volumes of writing.

Candidates should be reminded of the need for brevity, focus and quantification in their responses to the opening question on the paper. The nature of pre-release material allows the data handling skills tested here to be practised so that the majority of candidates are able to make a confident start to the paper. The use of bullet point responses is to be encouraged – each bullet point response should be constructed to gain one of the six marks available for this part of the question. Pages of prose, including explanations of trends, are to be discouraged.

- (b) Responses to this part of the question were much more confident in their interpretation of the Extract material. Almost all candidates had a clear understanding of what price competitiveness meant and could offer at least one reason to explain the greater price competitiveness of the Italian textile and clothing industries. The most common reasons given by candidates were economies of scale and the organisational differences referred to in the Extract. Differentiation, particularly between Level 2 and Level 3 responses, was achieved through consideration of the extent to which the reasons offered were explained by candidates. Weaker responses tended to assert that economies of scale would lower unit costs and, whilst offering LRAC diagrams, did not go on to consider the different types of economies of scale which might apply in the case of textiles and clothing. Stronger responses identified examples of internal and external economies of scale and explained how these would result in the lower unit costs which might give the Italian textile and clothing industries greater price competitiveness. Weaker candidates also displayed a loose grasp of the terminology related to economies of scale – there was for example, frequent reference to lower costs rather than lower unit costs.

- 2 The directive given by this question was clear but it was not always followed by candidates. Some candidates concentrated on how negative externalities might arise in the production of textiles and clothing. These responses did little more than summarise the life-cycle of a T-shirt shown in Fig 3.1 and were locked in Level 2 of the mark scheme. Others focused entirely on different methods of intervention, seeking to establish which might be the best. Better responses made an attempt to analyse the case for intervention, although this was often asserted or partial, rather than explained. The best offered a balanced response. They analysed the rationale for government intervention to reduce the negative externalities associated with the production of textiles and clothing and then went on to present the limitations of such intervention. Few candidates discussed how market forces may encourage firms to respond to consumer pressure to reduce negative externalities and many misinterpreted the behaviour of the Swiss textile firm, Rohmer, which was, in part, a reaction to government intervention regulating the release of waste into rivers.

Where the case for intervention was explicitly analysed in terms of the nature of the market failure arising from negative externalities, many candidates were able to attain full marks by developing one or two points of evaluation in detail. Where the evaluation offered was a series of undeveloped points, the highest mark in Level 4 of the mark scheme was not made available.

- 3 A significant number of candidates appeared to have difficulties interpreting this question, or had prepared for a different question on unemployment which they were determined to offer to Examiners come what may. The most common response from such candidates was to write about how the competition from China had caused unemployment in Italy. The very detailed analysis of the causes of unemployment tended to suggest a degree of rote-learning and overly-prescriptive preparation by some candidates. Candidates had clearly given this issue much attention – AD/AS diagrams were reproduced in meticulous detail, including inverted employment curves to show the impact of falling export demand and rising import demand on the employment of labour in the economy. Such responses commonly went on to explain how the unemployment created could be reduced. Often Examiners struggled to identify any reference to the problems of unemployment in such responses or, if they did, it was in passing and almost incidental to what the candidates were writing about.

The question set was very firmly rooted in AS Module 2883 and required an evaluation of the consequences of unemployment. Examiners accepted a number of different approaches to the problems of unemployment, ranging from the financial costs to the unemployed, the costs to the economy of lost output, the costs to the government in terms of lost tax revenue and higher expenditure on benefits, the costs to firms of lost sales and the social costs of unemployment. Of those candidates whose responses clearly focused on one or more of these problems, differentiation was achieved by considering the extent to which economic analysis was offered. Weaker candidates tended to list the problems. Few were able to analyse the problems of rising budget deficits, for example, although there was a recognition of possible opportunity costs.

Question 3 on the synoptic paper requires extended commentary. Some candidates seem unsure as to what this means in practice. As a general rule of thumb, Examiners are looking for candidates to consider the extent and significance of what they have analysed and to show an awareness of what their analysis depends upon. So, in this question, a valid approach would be to recognise that all the problems of unemployment become more significant the longer the duration of unemployment. Those candidates who recognised this issue were then able to develop their commentary by introducing concepts of structural unemployment and labour immobility. This allowed them to make judgments on the problems of unemployment in different Italian regions by considering economic structure and appropriate policy responses. It was pleasing to see some candidates making effective use of the European context in their evaluation. Some candidates offered strong evaluative comment on the significance of the problems of unemployment by explaining how fiscal and monetary policy responses by the Italian government might be constrained by membership of the Euro zone.

Overall, many candidates displayed very strong knowledge and understanding of unemployment and confident analytical and evaluative skills on this question. Sadly, not all made the most effective use of either their knowledge or their skills by not addressing the question set. The mark scheme was adapted to give some credit for those candidates who treated the problems of unemployment as a given but who were able to analyse what the 'problems' depended upon. All Examiners commented on the lack of focus in many candidates' responses to this question.

- 4 Candidates were well prepared for a question on protection and there were plenty of very good responses scoring towards the top end of the mark range in Level 4. The vast majority of candidates were able to produce well balanced answers, with arguments on both sides supported by a thorough grasp of the underlying economic analysis. Weaker candidates wrote in general terms around the case for and against protection or presented just one side of the debate. It was pleasing to see a good number of candidates not only able to analyse the case for and against protection but to offer evaluative comment on the strengths or weaknesses of the various arguments and, at the very top end, to conclude with more than a summary. The best conclusions gave well reasoned judgements on the issues.

The context of EU manufacturing industries was not always addressed, with much of the emphasis in candidates' responses being placed on the textile and clothing industries. Whilst this was understandable given the focus of the stimulus material, it is another example of the extent to which candidates are able to 'think on their feet' and tailor what they write to the precise demands of the question set.

**Advanced GCE (Economics) (3812/7812)
June 2007 Assessment Session**

Unit Threshold Marks

<i>Unit</i>		Maximum Mark	a	b	c	d	e	u
2881	Raw	45	32	28	25	22	19	0
	UMS	90	72	63	54	45	36	0
2882	Raw	45	34	31	28	25	22	0
	UMS	90	72	63	54	45	36	0
2883	Raw	45	34	30	26	22	19	0
	UMS	120	96	84	72	60	48	0
2884	Raw	45	34	30	27	24	21	0
	UMS	90	72	63	54	45	36	0
2885	Raw	45	33	30	27	24	21	0
	UMS	90	72	63	54	45	36	0
2886	Raw	45	32	28	25	22	19	0
	UMS	90	72	63	54	45	36	0
2887	Raw	45	30	26	23	20	17	0
	UMS	90	72	63	54	45	36	0
2888	Raw	60	45	40	35	30	25	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	22.3	42.4	61.9	78.2	88.8	100.00	6246
7812	32.9	61.7	81.7	93.4	98.4	100.00	4650

10896 candidates aggregated this session

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

Report on the Units taken in June 2007

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