GCE

Economics

Advanced GCE **A2 7812**

Advanced Subsidiary GCE **AS 3812**

Report on the Units

June 2008

3812/7812/MS/R/08

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Advanced GCE Economics (7812)

Advanced Subsidiary GCE Economics (3812)

REPORTS ON THE UNITS

Chief Examiner's Report

General Comments

Entries in each of the eight units were up by an average of 13 % from June 2007, which is pleasing. Well over 5000 candidates received GCE A Level awards and over 7000 received GCE AS Level awards. Principal Examiners have consistently reported that candidate performance is meeting the QCA grade descriptors and that they have been encouraged by the good quality examination scripts from most Centres. Teachers should be congratulated for their part in developing their candidates' interest in Economics and in their ability to produce coherent, objective answers to the questions which have been set. As my previous reports have stated, to do well, it is essential that the directive words of questions are properly understood.

There are four issues to feed back to Centres. These are:

1.   there is still confusion over the meaning of certain terms that are close to each other. These include:
    • production and productivity
    • monopoly and monopolistic competition
    • price and cost
    • social cost and external cost
    • monetary policy and fiscal policy

2.   some candidates use a diagram in their answers but then do not refer to it in their written answer. Valuable evaluation marks can be gained where an answer contains a brief, relevant analysis of what a diagram shows.

3.   the following house keeping points should be noted for future examinations.
    (i)   It is important that examinations officers complete the script total box on the plastic envelope
    (ii)   it would be helpful if candidates wrote the question numbers attempted on the front of their answer booklets for A2 units.
    (iii)   it would be helpful, particularly on AS unit scripts, if a note is made of when an answer is continued outside of the space allocated on the answer booklet.

4.   this session some Principal Examiners reported that they felt that the quality of hand writing from a growing number of candidates was poor and in some cases barely legible.

2881: The Market System (Written Examination)

General Comments

This examination was taken by 6668 candidates, an increase of around 11 % on June 2007. Interest in Economics in Centres and colleges and more specifically, OCR's specification, continues to increase.

The style of question paper followed a similar format to previous examination papers, although the mix of questions was of course different. Most candidates found the topic to be accessible although there was some confusion at times over whether the question was about the manufacture or retail of music download devices.

Overall, the question paper was a challenging one. For high marks, candidates needed to score well on either, or both, of parts (cii) and (eii). Elsewhere, the other questions were much more straightforward; particularly parts (a) and (b), where a relatively straight forward 16 marks were available.

There was a significant variation in performance between Centres and this was more noticeable this session. This was largely due to how candidates performed on the cross elasticity and oligopoly aspects of the examination. Again, in some Centres, answers to (eii) were often very short and usually indicative of a lack of knowledge rather than a lack of time.

Comments on Individual Questions

(a)   (i)   This standard opening question was well answered with the majority of candidates obtaining two marks. Such answers covered the opportunity and the cost – in other words, there was one mark for stating the choice of the best alternative and a second mark for an understanding of the need to forego something when a choice has to be made. A straightforward definition such as 'cost of the (next) best alternative foregone' scored an immediate two marks.

         (ii)   The first part of the question was well answered with four marks gained by many candidates. A straight line or curved PPC was equally acceptable. Ideally, the change should have been given in a numerical form on the axes, commensurate with the stem of the question. Alphabetical labels on the axes were accepted. Not all candidates clearly indicated the opportunity cost, in which case three marks were given.

               For the second part, it was necessary to show a pivot of the PPC from the maximum point of production of Mini-disc players. Many candidates did this either on their previous diagram or on a new one. A common error was to shift the entre PPC outwards. This is not correct as only the productive capacity for HD Walkmans has been increased.

               A surprising number of candidates did not answer the second part. A less common error was that some candidates did not label the axes correctly. P and Q were typical descriptors from these candidates: candidates could still gain three marks out of the six available on this part question.

(b)   (i)   The majority of candidates scored full marks for a correct answer which involved a skill that has been tested on previous question papers. Those not scoring four marks either drew the wrong shift of S or drew a shift of D or shifted both S and D. Most of these answers gained just one mark for the initial equilibrium position.

        (ii)   A similar evaluation can be made for this part of the question. Overall though, there were fewer wrong diagrams and explanations than for (bi). The most common error was to shift D to the right.

(c)   (i)   An explanation or formula were equally acceptable for two marks in this part question. The quality of answers was patchy, with considerable Centre variation. A common error was to state what was meant by price elasticity of demand. Another error was to get the relationship the wrong way round or to express the numerator and the denominator only in terms of the demand for the two products. The answer to this part of the question clearly laid the foundation for the quality of the answer to the next part question

        (ii)   This part of the question proved to be a very effective discriminator. Rather more candidates scored no marks compared to those scoring six marks. It really was necessary to understand the concept of cross elasticity of demand to score any marks at all on this question. Many candidates wrote about the price elasticity of demand, even though they had provided a simple correct statement in (ci).

              Some answers were from candidates who understood what the two estimates meant in terms of substitutes, but who were then unable to apply this to the likely effects of a price change to both types of iPod.

              As far as the 'comment' marks were concerned, it was agreed that these could be awarded for a reasonable comment, even to answers that scored no marks on the earlier explanation/analysis.

              At the other extreme there were some excellent concise answers from candidates who clearly understood cross elasticity of demand and were able to apply the concept objectively.

(d)   (i)   This question was answered quite well. In order to differentiate, it was agreed to only award one mark where there was no reference to 'new' firms being precluded from entering a market.

        (ii)   The emphasis on retailer was quite deliberate. It was, however, ignored by many candidates who wrote about barriers to entry which might apply to the manufacturing market for music downloads. Such answers usually received just one mark for the identification of a barrier to entry that could apply in any market. Many candidates gained four marks for short explanations of two relevant barriers to entry. A generous interpretation was allowed.

(e)   (i)   A very wide range of possibilities, 12 in all, were acceptable. Surprisingly, few candidates got the full three marks and in a small number of cases, gave characteristics for a market structure other than oligopoly. Where 'barriers to entry' was seen as a characteristic, the mark was only awarded if this was preceded by 'high'. Similarly, 'a small number of firms' on its own was not given a mark – 'large' had to precede 'firms'.

(e) (ii) A wide range of answers were given to this part of the question. It followed the standard format of requiring candidates to use the evidence provided, to benchmark against the characteristics of a market structure, oligopoly.

The case study provided some evidence of oligopoly, namely:
- a market for downloads dominated by Apple and Sony
- a strong brand image
- preferential treatment for Sony Centres
- no particular evidence of collusion, although Apple did not respond to Sony's market entry
- Apple had a large market share prior to Sony's entry.

It could also be assumed that there were high barriers to entry.

All the evidence appears to point to oligopoly. There is though some indication that the market may be a technical monopoly due to Apple's large market share. No data was given. There is also a lack of information on whether abnormal / supernormal profits are being made, whether there is collusion or whether firms are price makers.

Compared to past examinations with this type of question there were less marks in the 10-12 range, although some very good mature answers were produced. Many Level 4 answers stopped at the bottom of the range. For seven marks, this could be one that confirmed the oligopolistic nature of the market. For above seven marks, another market structure, usually monopoly had to be evaluated.

As stated at the beginning of the report, it was disappointing to see the number of short answers, most of which struggled to reach Level 2 through simple application of the case information. As well as a lack of time, given answers to the preceding part, there seemed to be a lack of knowledge of oligopoly.

2882 Market Failure & Government Intervention

General Comments

This was the final major sitting of the Market Failure paper before the introduction of the new AS papers in September 2008 but it proved to be easily the largest entry to date with just over 10,000 candidates sitting the examination.

Overall the standard of response was very pleasing with many candidates writing in some depth about the issues relating to negative externalities, and many excellent answers were produced which incorporated sound analysis and very clear discussion which were a pleasure to mark.

Candidates do indeed seem to have taken on board advice about the importance of the words *Comment upon* and *Discuss*, as reflected by the strong performance on questions d(ii) and (e). That said, some familiar problems still re-occur, particularly with answers which continue to confuse the terms external and social costs.

Comments on Individual Questions

(a)   (i)   Whilst many candidates were able to gain two marks for a simple statement that a social cost is the total cost accruing to society as a result of a production or consumption decision, too often candidates gained no credit for providing the definition of an external cost by mistake. This was probably the most common error made on the entire paper on what should have been a relatively straightforward opening question.

                     In contrast, a sizeable number of candidates gained both marks for correct reference to the fact that social costs equal private costs plus external costs.

     (ii)   In contrast to a(i), this part of the question was well answered with the majority of responses correctly identifying the cost of cigarettes as being a relevant private cost. As with previous sessions, two marks were available for the explanation which many candidates gained by recognising that this was a cost incurred by the decision maker (or the first party).

(b)   (i)   As with a(ii) this was well answered with a large majority of responses correctly identifying passive smoking as being a relevant negative externality. Many candidates then gained both explanation marks for stating that this was a cost imposed upon a third party or that the existence of negative externalities resulted in social costs exceeding private costs.

(ii)   Many candidates gained the full six marks for a clear diagram but, as in previous sessions, the explanation part of the question was less well answered. Common mistakes on the diagram included shifting supply in the wrong direction or inverting MPC and MSC which was very unfortunate. Finally, on a relatively minor note, it would help if candidates were to use a ruler to complete diagrams.

As regards the explanation, it was disappointing that a surprising number of candidates failed to answer the question which was set – namely, explaining why the existence of negative externalities gives rise to market failure. Too often, answers looked at how taxation could correct the market failure, which clearly was not relevant. Better answers focused upon the fact that consumers only take in to account the private costs of their actions and, in so doing, over-consume the product. This, in turn, results in allocative inefficiency as too many scarce resources are used up in production. By taking such an approach, it was possible for candidates to gain full marks on this ten mark question.

(c)   (i)   Despite the fact that demerit goods have featured relatively infrequently on the question paper, this question was very well answered with a majority of candidates gaining both marks for a clear definition. Candidates opted for both a negative externality and information failure approach with some excellent responses developing the fact that due to information failure, consumers often underestimated quite how bad these goods were for them and, therefore, over-consumed them.

(ii)   In contrast to c(i), the responses to this part of the question were a little disappointing. Quite often answers failed to give the example requested and then simply stated that the provision of more information would result in less being demanded, but without clearly explaining how this would occur.

(d)   (i)   Somewhat surprisingly, this was easily the worst answered question on the paper with few candidates gaining more than two marks out of the four available. Clearly candidates felt a lot happier discussing the costs of regulation (or even in some cases the benefits of taxation!) but in many cases knew very little of the advantages of regulation.

That said, where responses correctly identified that regulation backed up by fines could provide the government with a valuable source of revenue which could be spent on other public services, two marks could be attained relatively easily. In addition, candidates were rewarded for correctly identifying that, with the power of the law behind it; regulation could provide a suitable deterrent to individuals and thereby change their behaviour. Other appropriate responses included reference to the immediate nature of regulation and the possible ease of implementation.

(ii)   This question was well answered, with candidates scoring particularly well on the four evaluation marks which were available for discussion of the effectiveness of a minimum price. Many excellent answers developed several relevant evaluative points such as the possible inelastic nature of demand and the development of a 'shadow economy' with consumers illegally buying goods from overseas, therefore avoiding the minimum price control. Nevertheless, in a few cases, candidates failed to develop their points fully enough. This was disappointing given that several responses identified two or three relevant factors but then failed to gain all of the evaluation marks on offer, simply due to a lack of elaboration.

In a number of cases, even where excellent evaluation was evident, candidates still failed to gain all six marks having not included relevant economic analysis. With two marks available for a simple analysis of the impact of a minimum price in terms of price rising and demand falling, quite often these marks were missed with candidates preferring to write one sided answers which simply addressed the issue of why minimum prices would not work.

(e)   On balance, the final question on the paper seemed to be better answered than in the past, with a large number of candidates gaining a Level 4 response for a clear evaluation of how effective taxation would be. Whilst a small number of answers contained very little economics, a much larger number of responses provided clear diagrams which analysed the impact of taxation before introducing relevant discussion which was often Centred around the issue of elasticity of demand.

It is pleasing to see that so many Centres are instructing their candidates very clearly on how to approach the final 'discussion' questions on the paper and it is clear that many candidates are gaining excellent marks on this part of the question as a result of this sound advice.

Overall, it is very pleasing to have seen clear improvements in candidates' examination technique over the different sessions of this paper and for this, Centres are to be congratulated.

2883 The National & International Economy

General comments

This session saw a record number of entries as more than 10,700 candidates sat the examination. As in previous sessions, there were some excellent answers but also a tendency among some candidates to assert points rather than explain where appropriate. This tendency was most evident in the answers provided to the last question. Some of the answers to this question also failed to focus on the specific question set.

It was pleasing that fewer candidates, than in previous sessions, confused micro and macro economic analysis. Some candidates, however, did not take sufficient care in interpreting the questions. This was particularly noticeable in terms of questions (d), (e), (f)(i) and (g).

Time management did not seem to be a problem and the depth of some answers to question (g) was impressive. The paper covered a relatively wide spectrum of the specification and most candidates coped well with the width of coverage. There were few unanswered questions. Where there was a lack of depth to answers it appeared to be mainly due to a lack of understanding, however, in other cases, it was due to a problem with examination technique.

Comments on individual questions

(a) (i) Most candidates were able to define fiscal policy, although a few confused it with monetary policy. They found defining the unemployment rate more challenging. A number did not define the meaning of unemployment and a significant number wrote that the unemployment rate is the unemployed as a percentage of the population, rather than of the labour force.

(a) (ii) Most, but not all, candidates were able to identify the components of aggregate demand from the extract. A number referred to consumer confidence and others to government expenditure.

(b) There were some good answers to this question with candidates explaining why, for instance, a fall in the exchange rate, low inflation or cost advantages might explain Germany's success in exporting. There was, however, a widespread belief that if a country produces more products, it will automatically export more.

(c) This question was well answered. Good data handling skills were shown by most candidates.

(d) Some candidates struggled with this question and a major problem was that some made no reference to unemployment. A few also did not appear to understand the meaning of economic growth and there was relatively widespread confusion between the meaning of the terms production and productivity.

(e) This question was generally well answered, but some candidates failed to pick up on the word 'increase' and there was some confusion about the causes of an increase in aggregate demand. The most common reasons identified were an increase in income tax, a rise in the rate of interest and a fall in consumer confidence.

(f) (i) There were some excellent answers to this question, but a number of candidates explained why consumer expenditure might be low rather than why it might fall.

(f)   (ii)   Again there were some excellent answers to this question with candidates providing clear analysis and strong evaluation. Some candidates, however, failed to evaluate; whilst others discussed how cutting income tax may cause inflation or reduce unemployment but did not link their answer back to aggregate demand.

(g)   The best answers analysed the effects of an increase in exports and then evaluated the impact on macroeconomic performance. There was some good use of aggregate demand and aggregate supply analysis and some perceptive comments. Strong candidates developed a number of evaluative points, most commonly focusing on the significance of where the economy was initially operating relative to full capacity. Some candidates, however, focused on the causes of the increase in exports at the expense of the consequences. A number of candidates twisted the words of the question in order to answer a different question. Even more candidates adopted a purely descriptive approach, relying on unsupported assertions.

A relatively high number of candidates confused a current account surplus with a budget surplus. Some seemed to think that the government is the only beneficiary of increased exports, receiving all the extra income generated.

Some recommendations to candidates:

- Answer the actual question set, not the one you wish had been set.
- Read the questions very carefully. You may want to highlight the key words in the question.
- Explain the points you make – do not jump stages.
- Practise applying AD/AS analysis in interpreting economic events and answers.
- In answering the last question, it is useful to analyse first and then evaluate.
- Make sure that you explain fully the evaluative points that you make.

2884 Economics of Work and Leisure

General Comments

The candidate entry was considerably higher than in 2007, 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. Few 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 Question 1 did not seem to cause candidates any difficulty, and it was again encouraging that there were fewer instances, than has sometimes been the case, of candidates allocating their time unwisely when answering the different parts of Question 1. It should also be said that the central topic of the data – migration of labour – seemed to be one of which candidates showed considerable general awareness and to which they were able to apply economic understanding very impressively.

The essays in Section B attracted rather uneven numbers of candidates, with Questions 2 and 4 being much more popular than Question 3. The most encouraging aspect of the majority of candidates' essays was that they again seemed to have grasped, to a greater extent than used to be the case, what was required of them when they structured an answer to the part (b) questions; it seems that the command word *Discuss* is now quite well understood. Unfortunately, this improvement was balanced by 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 in many part (a) answers to Question 2 and Question 4 in particular.

Comments on Individual Questions

1)   (a)   This part of the question was generally very well answered. It merely required use of the given data to identify two advantages and two disadvantages to the UK of the immigration by Polish workers which Extract 1 outlined; no explanation was required, given that the command word was simply to 'identify'. Most candidates were able to do this. Some chose to identify an advantage or a disadvantage which was not mentioned in the Extract ; the Examiners gave credit in such cases provided the answer also made clear the logic involved.

(b)   Only a minority of answers to question(i) gained the full two marks, since they tended to provide an imprecise explanation, showing some idea of the concept but without specifying that it related to misallocation of scarce labour resources in some way. However, the answers to question part (ii) were generally much better, and many gained three or four marks. A good answer to this part question identified a particular reason for labour market failure, linked it to some aspect of one or other of the Extracts, and also explained how labour market failure was thereby being reduced; the weaker answers tended to fall down on the quality of this explanation.

(c)   The answers to this *Comment* question were generally quite good. Thus, most candidates gained two marks for explaining reason(s) why the quoted suggestion might be regarded as valid, but some also went further, in offering some additional relevant comment. The most common point made related to possible reason(s) why it might also be argued that east European migrant workers have actually displaced British workers – though there were several different points made which were also quite acceptable.

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(d)   The focus of this final part of the question was on the consequences for the 'donor' countries of emigration of labour to the UK, and almost all candidates recognised this – as they also recognised that the command word was *Discuss*. The weakest answers tended just to identify one or two problems for countries such as Poland or the Philippines, but the majority went much further, both explaining possible advantages and disadvantages, and making evaluative points along the way to; for example, expressing some doubts about the extent to which a particular advantage or disadvantage might actually apply in practice, or in many cases distinguishing between short-term and longer-term possible consequences. It was encouraging that in this question in particular many candidates found it came naturally for them to apply economic concepts which they had clearly become familiar with in some other context within their A level course.

2)   The answers to part (a) fell into three quite clear categories. The weakest ones either had a faulty understanding of oligopoly, or did not really address the question asked, as to why firms in such an industry tend not to use price-competition. Better, were answers which explained methods of non-price competition, without convincingly answering why it is commonly chosen. Some used some form of a 'kinked demand curve' but without any explanation of how it related to the choice not to compete on price. The best answers, of course, focused on the reasons for the tendency to use non-price competition, with or without the accurate and appropriate use of a kinked demand curve.

In part (b), candidates had a free choice of a 'leisure market' in which to apply their economic understanding; most chose one of the four named in the specification, with air travel and package holidays the most popular, though there were others too [e.g. computer gaming] ; however, candidates were in effect penalized if they either failed to apply to a particular market at all, or chose a market (e.g. supermarkets or cars) which is clearly not a part of the leisure sector.

The better answers to (b) also linked their discussion of the choice to compete on price to the market structure or, in a few cases, to the degree of contestability they argued existed in their chosen market. The Examiners were quite happy to accept any valid argument regarding circumstances in which price competition might be likely or unlikely to occur, provided there was internal consistency to the case(s) made out.

3)   As has already been said, this was by a wide margin the least popular question in Section B. Among those who did attempt it were several who were very unwise to do so, since their answer to (b) demonstrated a complete misunderstanding of the concept of unit labour costs. However, there were also a small number of answers which were of much higher quality. In (a), these generally showed a grasp of what trade unions are and how they behave, and also gave a straightforward explanation of the possibility of them achieving higher pay through some restriction of the supply of labour to an employer, though possibly at the cost of reduced employment. The better candidates then also went further in some way, perhaps by considering circumstances in which such reduced employment might not occur. Those candidates in (b), both showed an accurate understanding of the concept, and also addressed the question of whether unit labour costs 'matter' more or less than actual levels of pay. They tended to argue – entirely acceptably – that whilst unit labour costs might be regarded as mattering most from the standpoint of employers or indeed the economy overall, given their link to competitiveness, the workers directly involved are likely to be more concerned with actual levels of pay, insofar as they impact directly on their living standards.

4) This was the most popular essay question, and again answers to (a) fell into distinct categories. In (a), the weakest answers tended to do little more than show an understanding of the fact that work and leisure are in direct opposition in terms of the use of available time by individuals in the labour market; such answers were awarded a Level 1 mark. Better were Level 2 answers, which showed some understanding of the ideas behind the concepts of substitution and income effects of a rise in an hourly wage rate, but failed to integrate the two so as to provide a full answer to the precise question set. Low Level 3 answers also did this. A few top Level 3 answers did more than this, by making explicit reference to the 'even if this means less income' element of the question.

The answers to (b) were generally of at least reasonable quality, in that they showed an understanding of personal income taxes, and attempted to consider the possible impact of an increase in such taxes on the operation of the UK labour market. The most common suggestions related to incentives, whether to workers at the lower end of the earnings scale to withdraw from the labour market, or to those at the higher end to move overseas. Equity/income distribution issues were also often raised, although it was perhaps slightly surprising that many answers made no reference to the issues raised in part (a) of the essay.

2885 Transport Economics

General Comments

The question paper was appropriate to the candidates for whom it was intended. Once again teachers and candidates appear to be confident with the specification and the assessment criteria, although there was much disparity in the performance between Centres.

There were very few examples of rubric error and time constraint. It appears that the vast majority of candidates divide their time appropriately between sections although some would be better advised to think more carefully about the question set.

Section A, in particular, discriminated well. There were many good responses, with the main failing of some candidates being their inability to apply economic concepts such as contestability and efficiency in the rail freight market. Many candidates did not choose Question 2 but roughly equal numbers attempted the other two essay questions. Most candidates were able to make evaluative comments in part (b) but many lacked specific focus on the question set.

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 diagrams were incorporated in the text and accurate.

Comments on Individual Questions

Q1)   (a)   The majority of candidates were able to obtain one mark, usually by referring to coal, metal and stone products as heavy or bulky. To obtain the second mark, candidates needed to explain why such products would be mainly transported by rail in relation to the relative advantage of rail. The weakest answers simply stated the general advantages of rail over road with no reference to the named products.

        (b)   Most candidates were able to state problems that the rail freight industry would be likely to encounter if the infrastructure was not upgraded, such as safety and the need for timetable alterations. The better answers explained how such problems could lead to rising costs, falling demand and possible falling profits for rail freight companies. However, some candidates did not focus on rail freight companies and consequently gained little credit. For example, comments regarding increased road congestion were irrelevant and gained no credit.

      (c)(i)   This part of the question was answered disappointingly by a large number of candidates who seemed to confuse competition and contestability. Some did not demonstrate a good knowledge and understanding of either perfect competition or contestable markets, with the focus of answers being on normal profits and barriers to entry rather than differences such as potential competition and actual competition, homogeneous and differentiated goods, and the number of firms likely to be found in each situation. Other candidates simply listed characteristics of each rather than explaining differences.

(c)(ii)   Surprisingly, this part of the question was answered better than the previous one. Most candidates were able to give a balanced argument commenting on the degree of contestability through 'open access' in the industry, but also stating that there were some forms of barrier to entry, e.g. regulatory requirements. The best answers were able to make an informed judgement on the extent to which the market was contestable.

(d)   Although the performance on this last part of the question of Section A was worse than in previous sessions it did discriminate well. Some candidates wrote very general and superficial answers, but the better answers focused on how economic efficiency, in terms of both productive and allocative efficiency, could be affected by increased competition. The best answers identified natural monopoly benefits and a loss of economies of scale as a result of increased competition. A further weakness was a lack of application, but the better candidates did appreciate that the focus of the question was on the freight transport industry as a whole rather than just rail freight.

2)   (a)   Very few candidates attempted this question. Answers were often very general about forecasting, without explicit reference to air passenger transport, although there was an awareness of extrapolation of past trends and the importance of GDP trends.

(b)   Overall candidates were reasonably successful in linking the projected increase in the demand for air passenger transport to government policy. Answers discussed a range of issues, especially in terms of the pressure to increase the infrastructure, but then did not link this to environmental concerns.

3)   (a)   This was a popular question and it discriminated well. Weaker candidates adopted a conversational style, writing generally about factors influencing private car use (convenience, poor public transport etc.) rather than increasing car use. Good answers were more analytical covering a range of economic concepts with appropriate terminology, such as derived demand, PED, YED, etc.

(b)   Although most candidates were able to discuss many issues regarding national road user charging schemes they could not focus on how these could reverse the growth in demand for private car use. There was some good discussion of inelastic PED and the better candidates went on to consider how this might be increased to make road user charging more effective. Instead of this approach, many candidates pointed out some of the likely difficulties of implementing such a scheme.

4)   (a)   Candidates were well prepared, and were able to use an effective negative externality diagram and explain that transport users only considered private costs. However, many still do not show diagrammatically a divergence between MPC and MSC. This would have aided their answer when considering increased atmospheric pollution. The best answers clearly understood that third party effects not been considered and hence allocative inefficiency through over consumption was the result.

(b)   There was some good discussion of the problems of indirect taxes on transport users. However, there was a lack of focus on how such taxes might correct the market failure with many candidates regurgitating notes on alternatives such as regulation, road pricing and subsidies for public transport. The stronger candidates focused on the 'polluter pays' principle, and also pointed out some of the difficulties involved in assigning a monetary value to negative externalities.

2886 Economics of Development

General Comments

This session the candidates performed impressively in the data response question gaining high marks right across all parts. Occasionally there was an over-allocation of time to parts with relatively low mark tariffs. On the essays the general standard was competent. There was, however, a tendency to adopt an overly descriptive approach to the part (a) which meant a failure to achieve Level 3. The majority of candidates demonstrated a sound grasp of the basic ideas of Development Economics. The best answers made use of extensive, up to date examples to support the arguments. The plight of Zimbabwe drew more comment than any previous international event.

Comments on Individual Questions

1)   (a)(i) Most candidates found little difficulty with the data interpretation question. Less effective responses were excessively descriptive, were inaccurate in the recognition of units and anticipated the following part. There were a surprising number of candidates who suggested that remittances were four times greater in the Middle East and North Africa than in Sub Saharan Africa.

(a)(ii) This part of the question was generally well done, with candidates commenting on each of the three financial inflows. Particular factually correct explanations were not expected, only plausible possibilities. Some confusion existed over the notion of remittances.

(b)   There was extensive understanding of the benefits of Foreign Direct Investment. The weakness in some answers, however, was to ignore the need to identify a comparative weakness of remittances rather than simply producing an appreciation of FDI. The question did not require an analysis of the drawbacks of FDI.

(c)   The task required the identification of the nature of two outflows and an explanation of the reason for their existence. Capital flight, payment for imports, debt repayments and repatriation of profits figured prominently. The ability to explain rather than assert was the discriminating quality in handling the reason underlying the outflow. The emigration of workers was not accepted as a financial outflow.

(d)   A wide range of issues was considered by candidates. The case for maximum aid was made based on emergency response, poverty relief and long term investment. The case against, usually centred on the creation of dependency, the incurring of debt and the misuse of funds. There were some long descriptions of the features of aid. This was appropriate when the different forms were linked into resulting benefits or problems, but otherwise of limited value. A concise reference to aids essential nature would have been sufficient. The ability to clarify the issue rather than state it, was the difference between an average and a good response. Some candidates believed FDI to be a form of aid.

2) The question concerned the differences between developed and developing economies and the idea of a 'typical' developing economy.

(a) There were some excellent and detailed descriptions of the differences between developed and developing economies. These covered the quality of life, economic structure, theoretical stage of development, social progress and many other features. Reference was often made to HDI values. What the better answers did, was to go on and explain the underlying features of the two development levels which caused these outcomes. These answers referred, for example, to efficiency and productivity, openness to trade, the use of markets and cultural attitudes.

(b) This was a question which gave the opportunity to use individual examples of economies to illustrate the points. Some answers did this impressively. The strongest also considered the idea of sub groupings such as HIPCs and NICs. Those who saw this as a question on the development process and wrote about the Rostow model had limited success. It was surprising that some candidates did not make use of ideas which had been identified in the first part and in a few cases even contradicted them. The general consensus was that there is no such thing as a developing economy.

3) Government failure and the different sources of the problems of developing economies were the issues examined in this question,

(a) Some candidates did not have a clear understanding of government failure and wrote instead about general problems in developing economies. The most commonly known causes of government failure were a lack of information and corruption. In some cases, when these were identified, the response then became a list of possible problems which might result. Those who approached the issue from a planned economy standpoint were able to make relevant points although not always having a precise focus. To score top marks it was necessary to clarify why these causes of failure were prevalent in developing economies. A small number of answers dealt with market rather than government failure.

(b) Most candidates were able to assemble an accurate grouping of national and international causes of problems. While these were of varying quality, in some cases, they were both comprehensive and detailed. The commonest responses set poor factor endowment, corruption and cultural issues against trade barriers, MNC behaviour and unequal trading terms.

The factor which discriminated between candidates was the ability to judge the relative importance of the two sources of influence. One valid way to do this was to consider the ability of the developing economy to overcome the difficulty.

4) This question centred on the features and appropriateness of a policy of import substituting industrialisation.

(a) The tendency was to concentrate on the import substituting aspect and ignore the industrialisation part. Some candidates did not realise that while there are overlaps with the balanced growth idea, the two are not the same thing. As a result, those who wrote about balanced growth did not always maintain relevance. Again, ISI can involve foreign companies in industrialisation and is not the same as economic isolation. On the other hand some candidates were able to detail the features, such as tariffs, subsidies and exchange rate manipulation and show their operation.

(b)   The best responses made the link to development rather than growth. They also showed an awareness of the role that ISI has played in some economies and its contribution to their development. Perhaps the use of the case study approach in teaching has been beneficial here. The recognition that export oriented industrialisation was an alternative with a more successful history was valid but the question did not call for a detailed comparison with ISI. Some candidates did have problems in structuring their answer between the two parts although they were not penalised for this as the answer was marked as an entirety.

2887 The UK Economy

General Comments

The entry for June 2008 for this unit was 13% higher than June 2007 and approaching 50% higher than in January 2008. It was pleasing to see a general improvement in the standard of a good number of scripts, no doubt due to lessons learnt from the January experience and of course five months extra study and greater maturity. The paper as a whole appeared to work well with no noticeable difference in accessibility between the data response section and the essays. Again, some candidates failed to fully recognize the instructions contained within a number of the questions set, and consequently offered answers that were a display of knowledge painstakingly acquired, rather than direct responses to the questions set. On the other hand a considerable number of candidates offered responses which suggested pupils in some Centres were clearly extremely well prepared for the demands of an A2 paper. They provided answers which revealed a combination of both a depth of theoretical understanding and a breadth of knowledge of current macro-economic affairs that enabled them to secure very high marks.

The main focus of the data question was unemployment and inflation which gave candidates an opportunity to demonstrate their understanding of two key policy objectives, whilst keeping in mind the possibility of a classic macro-economic trade-off. The higher scoring answers to this section of the paper came from those candidates who took careful notice of all the information contained in the data and then applied it to the questions set. This was of particular significance to Question parts (b), (c)(i) and (c)(ii).

The essay section expanded the specification coverage, offering candidates the opportunity to write about the significance of investment, the multiplier principle and its usefulness in practice or the theoretical basis of international free trade and its application to the global economy. The standard of answer to this section was wide ranging, but each essay offered the chance for many candidates to achieve high scores. The popularity of essays appeared to be variable; Question 2 being the most popular by far, with Question 4 and 3 following in descending order of popularity. Part(a) of the essays often provided the opportunity for candidates to secure marks in the highest level. Part (b) answers as in January, were often handicapped by a lack of sufficient analytical depth to score really high marks, even when candidates provided enough evidence to be awarded a Level 4 mark.

Comments on individual Questions

1)   (a)(i) Many candidates scored well here as it was decided to focus attention on the two key elements of a Labour Force Survey definition, i.e. actively seeking a job but without current employment. Most candidates scored at least one mark on this question, with a great many securing both.

        (a)(ii) This was the part question which worked least well. Even the best candidates struggled to offer an answer which suggested the two key elements to the required response, the two elements being an increase in the available labour force and a simultaneous growth in job availability, albeit at a slower rate; therefore creating the experience of more people in work and more out of work.

(b)   This part of the question provided the classic illustration of the point made in the introduction to this report, candidates failing to fully take notice of the specific wording of the question. Too many picked the wrong trend in job vacancies by focusing on the period 2004/05 rather than January 2005 onwards. Fortunately, a mark could still be gained if candidates made the connection between weak AD and the consequent reduction in derived demand for labour.

c(i)   Answers to this part of the question tended to be one of three kinds. Those which failed to make any reference to the Philips curve, thus once again ignoring the instructions contained within the question. Those who explained the Philips curve relationship but no more, and those which focused on both elements of the question, i.e. knowledge and analysis.

(c)(ii) This was the first of the two questions in this section which called for candidates to display some ability to evaluate a given situation; the *Comment* command word, being the clear signal. Once more careful reading of the question was not always evident. Some candidates failed to recognise the question was dealing with a slow down in earnings growth not a fall in earnings, others chose to ignore the focus on cost-push inflation and provided responses only dealing with the demand side. Only the best candidates explained the earnings/wage cost-push link then went on to consider the extent to which this may reduce supply-side inflationary pressures.

(d)   This part of the question worked well in that it successfully discriminated between candidates who could give a one sided answer, those who offered a discussion and those who did so, concluding their arguments with an appropriately evaluated judgement.

Section B Essays

2)   (a)   The most common problem here was for candidates to fail to offer sufficient depth of analysis. Many were able to offer a number of factors which influence the level of capital investment but did not go beyond simple description. At the A2 level we are expecting candidates to illustrate their ability to use their economics toolkit which should have been built up through the course. Too many answers were those which could have been offered by any well read sixth former rather than a candidate of the Economics discipline. Candidates needed to focus on the conventional determinants of investment as expressed in the investment function. They then needed to go on and analyse these influences.

        (b)   It was much more pleasing to see the answers offered to the second part of this essay question. Many candidates were able to give a clear discussion of the influence of the rate of capital investment on the UK economy. Analytical depth varied, but was often present, and most candidates provided a number of views on the matter. The best candidates were those who having provided a clear discussion of possible affects went on to include some kind of summary relating to the extent to which increased capital investment alone was significant.

3)   This was the least popular essay question but it did provide a number of excellent responses from some candidates who were clearly well prepared for a question on this area of the specification.

        (a)   The better answers to this part of the question were those which focused on the three component elements of the marginal propensity to withdraw. They offered sound reasoning as to why these elements might vary from one economy to another and thus give rise to the variance in multiplier value. Some candidates even went on to calculate the value of the Marginal Propensity to Withdraw in each economy as 0.7, 0.89 and 0.57 respectively, clearly illustrating their depth of understanding.

        (b)   The level of discussion on this part of the question varied considerably but many candidates were able to secure a Level 4 mark for responses which based conclusions on some clear analysis. Again the best candidates were those, who having provided a clear discussion of the possible usefulness of the estimated multiplier value, went on to offer some kind of summary relating to the extent to which such estimates might be useful.

4)   (a)   This question was the element of the essay section which was least well answered. A surprising number of candidates failed to focus on the theoretical crux of the question which was an understanding of the theory of comparative advantage. Too many candidates made assertions about specialisation and free trade without offering any consideration of the role played by comparative advantage. The few very good responses that were given were those which used a combination of numerical example and diagrammatic presentation to provide an answer that clearly focused on opportunity cost, mutually beneficial exchange rates and consumption levels beyond domestic production possibility curves.

        (b)   Many answers to this part of the question tended to be a rather rambling account of the benefits or otherwise of globalisation, rather than answers which focused on the specific question. However, that is not to say there were no excellent responses to this section. A few candidates did concentrate on countries such as Scotland, which currently has a comparative advantage in some areas, but which faces both the opportunities and threats that an increasingly globalised economic environment can bring. As ever the best answers of all were those that offered concluding evaluation of the extent to which globalisation may benefit countries with such comparative advantages.

2888 Economics in a European Context

General Comments

Performance on this paper was much more variable than in any recent session and was not confined to variation between Centres. There were a number of reasons for this, as detailed in the comments on the individual questions below. Some candidates appeared to be very well prepared for the synoptic challenge and were able to focus their responses on the questions set and provide explicit and developed economic analysis of the issues. Such responses were well rewarded by Examiners and, consequently, performance at the top end continues to improve. Equally, some candidates lacked the knowledge and skills necessary to interpret the pre-issued stimulus material, not making use of the economist's toolkit of theories, techniques and concepts. Such responses often regurgitated data, paraphrased the Extract material and treated the questions as little more than comprehension exercises. The result was a level of performance which was below that required to pass this synoptic assessment.

The key areas for improvement would seem to be:

- an understanding of what is meant by a trend, how to compare data and the need to provide quantification in the opening question;
- accurate knowledge of the subject specific content of the stimulus material, where necessary by revision of content studied at AS or in the optional A2 units;
- going beyond valid statements to provide full analytical explanations which incorporate cause and effect;
- providing balance in responses to questions which ask candidates to '*comment*';
- using the language of economics and the terms, concepts and theories which have been studied over the course of AS and A2, in order to provide analytical underpinning to the arguments raised;
- providing judgements of the balance of benefits and costs, which extend beyond a summary of what has gone before or which are more than assertions.

Comments on Individual Questions

1   (a)   The opening part question on the paper continues to prove problematic for some candidates. In this session the command word was '*compare*'. Weaker candidates simply regurgitated data, leaving Examiners to infer the comparison intended. Candidates also have difficulty understanding what is meant by a trend over a period of time. Instead of looking at the general direction of change, many candidates described what happened in each sub-period. Better candidates produced succinct comparisons which included a simple quantification of the size of the changes. The lack of quantification limited the marks available for some candidates, particularly in the comparison of new car sales in Romania and Bulgaria. Few were able to say, for example, that the top three brands in Romania had a market share double that in Bulgaria. A simple comparison of this nature could be awarded two marks. Examiners would much rather see a series of focused bullet point comparisons, than the lengthy responses which some candidates insist on providing.

    (b)   This part of the question posed two main problems. Some candidates displayed a lack of knowledge and understanding of market concentration, despite the explanation of the term provided in the introduction to the pre-issued stimulus material. The most common problem, though, was the failure to analyse the reasons advanced for the high levels of market concentration. This approach

trapped candidates in Level 2 of the mark scheme. The skill of analysis is all about giving reasoned explanations. A response which simply states that high market concentration is the result of economies of scale is not analytical, unless it then goes on to explain how lower unit costs limit the number of firms supplying the market. Better candidates were able to do this and, consequently, gain marks in Level 3 of the mark scheme. Weaker responses simply produced a descriptive list of reasons for high levels of market concentration. Diagrams help some candidates to show analysis, but not where these are left unexplained. There was, however, some impressive analysis (diagrammatic and textual) of the impact of declining demand on the car industry and the benefits to be gained through merger and acquisition.

2)   The weakest responses to this question showed no understanding of economic integration in the context of the European Union. Those candidates who did understand the term could have enhanced their responses by a more accurate explanation of the term. Better candidates did this through a brief summary of the different levels of economic integration. A common weakness in most responses was to take for granted the process by which economic integration should lead to price convergence. The result was that the analysis offered was one-sided. This limited many candidates to marks in Level 3 of the mark scheme. The best candidates could explain analytically why prices of consumer goods, such as cars, might be expected to converge in the EU and why they might not. The strongest responses made much of the 'law of one price' and the elimination of transactions costs and greater price transparency under EMU on the one hand and differing levels of GDP per capita, transport costs and the lack of tax harmonisation on the other hand. Least well handled were explanations of issues related to exchange rates, with much assertion substituting for analysis. Furthermore, much of the assertion was dubious.

3)   The demands of this question were significant but were a fair reflection of the synoptic challenge. The question focused on two examples of government intervention which candidates had encountered in their AS studies - pollution standards (regulation) and taxation. The demands posed were to put the knowledge and understanding gained at AS in the context of the automotive industry and to compare the relative pros and cons of the approaches in achieving a defined objective. Weaker candidates were not able to satisfy these demands either wholly or with the analytical reasoning required at A2. The case for pollution standards could, for example, be explained in terms of the market failure created by the production of energy inefficient cars. However, some candidates were confused over whether the negative externalities were in the production of such vehicles or in their use. The comparative element in the question also posed problems for some candidates, in that pollution standards or taxation were ignored leading to one sided analysis. Nevertheless, the mark scheme allowed responses which made no reference to either regulation or taxation to be rewarded in Level 4, where evaluative comment was made on the method of intervention chosen by the candidate. Some of the evaluation offered, however, could have been equally applied to regulation or taxation. Better candidates recognised this and thereby enhanced their commentary on the two methods. A useful distinction made by some candidates was between removing the external costs and internalising them in the market price of cars. Issues related to regulatory capture and government failure were not often developed, however. The question provided good discrimination between the variety of responses offered by candidates.

4)   This question produced some of the most confident responses from candidates. Analysis of the benefits of FDI for economies in Central and Eastern Europe was generally well done, with the better candidates making effective use of the AD/AS framework. Candidates could improve their marks by accurately labelling AD/AS diagrams, by explaining the reasons for the shifts in curves and by making a distinction between demand and supply side impacts of FDI. Most candidates accessed Level 4 of the mark scheme through an explanation of the costs of FDI. This tended to be less analytical and more general than the benefits chosen and was also lacking in the context of the economies of Central and Eastern Europe. Candidates would be well advised to carefully justify their use of arguments related to 'exploitation' and 'dependence' in order to avoid generalised assertions lacking underpinning analysis. Better candidates recognised that dependence was related to the extent to which capital is 'footloose', external shocks and to the erosion of absolute cost advantages over time. The importance of the command to discuss the *'extent to which'* was not always appreciated by candidates. Level 4 of the mark scheme allows Examiners to make a distinction between responses typical of the two-handed economist and those which then move on to examine the scale, significance and extent of the benefits and costs raised by candidates. Better candidates were able to discuss, for example, how employment benefits depended upon the nature of the FDI - the benefits being less where production is capital intensive or where there are skill shortages in local labour markets. Such responses were rewarded with marks in Band 2 of Level 4 of the mark scheme.

Grade Thresholds

Advanced GCE Economics (3812/7812))
June 2008 Examination Series

Unit Threshold Marks

Unit		Maximum Mark	A	B	C	D	E	U
2881	Raw	45	34	30	26	23	20	0
	UMS	90	72	63	54	45	36	0
2882	Raw	45	33	29	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	29	26	23	20	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	33	29	26	23	20	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	46	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	23.4	44.7	64.8	79.8	89.2	100	7219
7812	33.8	61.9	82.5	94.3	98.8	100	5201

12420 candidates aggregated this series

For a description of how UMS marks are calculated see:
http://www.ocr.org.uk/learners/ums_results.html

Statistics are correct at the time of publication.