OCR
RECOGNISING ACHIEVEMENT

GCE

Report on the Units

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Advanced GCE Economics (7812)

Advanced Subsidiary GCE Economics (3812)

REPORTS ON THE UNITS

Chief Examiner's Report

General Comments

There were some positive comments by Principal Examiners this January session, which signifies that Centres do seem to be responding to the comments made in previous Reports.

However, at AS, candidates need to be reminded of the significance of directive words such as 'comment' and 'discuss'. A good grade on the units can only be achieved when candidates score well on the questions which contain these important words

There was a healthy increase in the numbers of candidates taking the A2 units, 2888 especially. This is consistent with the recorded increase in AS entries and an increasing number of Centres recognising the benefit of a January sitting for this unit.

A general comment made by Principal Examiners for the A2 optional units was that there was evidence of better technique on the part (b) essay question. Here, the 'discuss' directive word should clearly flag that a two-sided answer is required. An increasing proportion of candidates are recognising this in their answers which now contain balanced argument. At the same time, Principal Examiners have asked teachers to note their concern that answers to part (a) are often very weak and sketchy.

2881 The Market System

General Comments

The examination for this unit was sat in the vast majority of cases by Year thirteen candidates who were re-sitting the paper for the first or second time. In consequence the cohort in general displayed a greater depth of understanding of the subject compared to previous years, as might be expected following four terms of study. The candidates produced many excellent answers to the paper as a whole and there was a noticeable absence of a great number of very poorly answered scripts. Most candidates scored heavily on the early part of the paper and many built well on this foundation. This illustrated the greater maturity of the candidates, and clearly many had developed their examination skills to a higher level than those of a candidate sitting the paper for the first time.

Overall, the examination appeared to work well. The subject matter, the market for uranium, proved to be easily accessible to the vast majority of candidates, and many displayed a good understanding of the prevailing economic conditions in world commodity markets at the time when the piece was written.

The structure of the paper was very much in line with those set in the past and no individual question stood out as being misleading. Knowledge and application skills were readily displayed by the candidates and the more testing questions, (c) and (e) (ii), proved to be the key discriminators, as one might expect.

Comments on individual Questions

(a)(i) The opening question proved to be a little less rewarding than was anticipated. A significant minority of candidates failed to pick up the second mark available for including a reference to the ability to buy. It was the point that desired demand that could be made effective which the full definition required. Although this only needed to be expressed in a simple way e.g. "a consumer's willingness and ability to buy".

(ii) Most candidates were able to select two of the four reasons given in the second paragraph of the case study enabling them to pick up one mark for each reason. However, some failed to secure the second mark in each case, as they did not elaborate why these reasons would lead to an increase in demand. A few candidates suggested that increased incomes would lead to an increase in household demand for uranium. This answer was not considered worthy of a mark.

(iii) This was a very accessible question for which the majority of candidates scored full marks.

(b) (i) Although this part of the question was answered successfully by many, a number of candidates made the error of lapsing into explanation which clearly related to the demand rather than the supply of uranium. No marks were awarded for this mistake.

(ii) This was another successful diagram question for candidates, with the vast majority of answers securing at least three of the available marks. Many scored full marks.

(c)   This was the first of the two major discriminating questions on the paper. Answers tended to fall into one of three categories: The first category being those candidates who only offered explanation with no evaluative commentary, thus being awarded a maximum of three marks. The second category where candidates offered commentary of a one sided nature, consequently picking up four to five marks, if built on a platform of good explanation. The third and top category being those candidates who did the above, plus offering some qualification to their judgment, e.g. we have no idea what future developments in energy production might bring.

(d)(i) This was a question which has appeared on the paper before and candidates appeared to be well prepared for its reappearance.

(ii)   On this occasion three marks were available for each explanation of a barrier to entry. Many candidates each selected good examples of barriers which applied to the case, and they often explained the barrier reasonably well. However, only the better candidates were able to clearly explain why the suggestion given was a barrier to entry faced by new firms seeking to enter the market.

(e)(i) A well answered straight forward knowledge question.

(e)(ii) This was the second of the two major discriminating questions on the paper.
        A combination of the nature of the cohort and the lessons learnt from suggestions made in previous examination reports meant that we read many very good answers to this part of the question. The majority of successful candidates concentrated on developing a genuine discussion around the topic, and the best went on to draw evaluated conclusions on the analysis they had carried out on the market.

2882 Market Failure & Government Intervention

General Comments

Whilst this was the first of the legacy papers available, it still attracted an entry of around 2000 candidates. From the examination scripts, it was evident that candidates had no difficulty with timing issues and often wrote at great length in relation to some of the issues raised within the paper. It was very encouraging to see candidates clearly engaged in the topics covered and readily able to apply economic theory appropriately and within context.

Comments on Individual Questions

(a)   (i)   This part of the question was answered very well with the clear majority of candidates gaining both marks for their answers. With either the information failure or positive externality approaches accepted, both proved to be equally popular with many stating that merit goods were those which generated positive externalities. Others accurately noted that they were goods which consumers often failed to realise how good they were for them.

        (ii)   This part of the question was exceptionally well answered which suggested that candidates had been extremely well prepared on this topic! Whilst a very small number of candidates produced rather bland answers which lacked any relevant economics, the vast majority managed to correctly identify the characteristics of non -excludability and non -rivalry and many went on to apply these very accurately.

(b)   (i)   Once again, this part of the question was well answered with a large majority of answers receiving both marks for a relevant explanation of external benefits.

        (ii)   In contrast to the first three questions on the paper, this was less well answered with many responses failing to identify relevant external benefits. In some cases, private benefits were explained; whilst in others, general answers provided little indication as to what the exact external benefit could be. Better answers tended to develop issues such as increased labour productivity which might arise as a result of a healthier workforce, which could benefit firms/employers as they would gain increased output. Alternatively, a small number of candidates chose an alternative but equally acceptable approach, identifying the relevant external benefits derived from family members who would be able to see their relatives' health improve, with the relatives enjoying a better quality of life.

        (iii)   This part of the question proved to be a very good discriminator between candidates with many often unable to gain more than one mark for recognising that goods generating external benefits would be under-consumed in a free market economy. Unfortunately a minority of candidates discussed the reasons why positive externalities could represent market failure and thereby gained no credit. The very best answers provided excellent explanations as to why there would be a misallocation of resources and allocative inefficiency arising from such under-consumption.

(c)   (i)   This was the first time that candidates had been asked to explain what the term 'maximum price' meant. Many responses gained a mark for recognising that it was a form of limit beyond which prices could not rise, but then failed to gain the second mark for identifying the fact that they have legal backing.

        (ii)   As is often the case the diagram question was very well answered with very few candidates who attempted the question failing to gain some credit. Whilst many excellent, completely accurate maximum price diagrams were produced, all too often, diagrams suggested that the maximum price should be set above equilibrium. This was unfortunate as clearly in such a position, the maximum price would have no effect whatsoever.

                That said, where candidates were able to correctly identify the maximum price as being set below equilibrium, then the analysis which developed from this was invariably very good. Unfortunately, a number of responses still failed to identify the direction of changes preferring to simply state what level demand and supply would be at. It is worth noting that unless there was a clear indication as to the direction of changes, then marks could not be rewarded. Nevertheless, this part of the question probably produced the highest number of full mark responses from the higher tariff questions which was very pleasing.

        (iii)   Surprisingly, this part of the question was not well answered. Whilst it was pleasing to see candidates recognising the importance of introducing discussion, with the majority of responses gaining some marks for evaluation, many candidates struggled to analyse how their chosen policy would reduce income inequality. The best answers combined detailed evaluation alongside analysis of how exactly policies would succeed.

(d)   The responses to this final question were pleasing, especially as the topic of cost-benefit analysis (CBA) had not been examined for several sessions.

                Centres are to be congratulated for preparing candidates so well for this final question with the majority of responses attempting some form of evaluation by addressing possible difficulties in applying CBA in this context.

                The best answers analysed how CBA would be applied in this context and how decisions would be taken on the basis of a comparison of social costs with social benefits in order to derive a figure for net social benefit. This was then developed with often very sophisticated evaluation of different limitations of the process. Whilst many answers focused upon the difficulties of attaching monetary values to respective costs and benefits, others developed the problems of which costs and benefits to include in the first place and the possible value judgements which could develop from this.

                Examiners were impressed by the depth of knowledge of many individual candidates who often developed several evaluative points in some detail and thereby gained full marks. It is very pleasing to see candidates so well prepared for this very important question and for this, Centres are to be congratulated.

                That said, there is one point which continues to recur on this topic – the incorrect muddling of the terms 'external' and 'social' with many candidates incorrectly stating that third party effects are social costs/benefits rather than external costs/benefits!

Overall therefore, it was a pleasure to see the many excellent scripts which demonstrated a very clear understanding of material and an ability to apply this accurately in the relevant context. Candidates and Centres can be suitably proud of their achievements!

2883 The National & International Economy

General Comments

The January 2009 session saw an almost identical entry to that of January 2008. On a general basis this paper appeared to provide an appropriate range of discrimination, whilst also allowing the better candidates to demonstrate higher order skills. This was particularly evident with respect to responses to the final question (g). This success may have been partially explained by the topical, up-to-date nature of this question which required some understanding of the effectiveness of using a rise in government spending to promote economic growth. In addition, the paper covered a wide range of questions which required both analytical and interpretative skills.

There was very little evidence of poor time management skills, but there was still some significant evidence of a failure to fully understand the meaning of key command words. This was particularly noticeable with respect to answers to question f (iii). Although, the question required candidates to 'comment on' the effect of the removal of import tariffs on the trade balance, a significant number of responses contained no evaluative comment.

Comments on Individual Questions

(a)   The overwhelming majority of candidates gained full marks for this part of the question. They were able to identify and define two monetary policy instruments and clearly link these to the control of key macroeconomic objectives.

(b)(i) This part of the question required accurate reading of given data and, on this basis, should have been relatively straightforward. Many candidates however found difficulty distinguishing between information which indicated rates of change and that which represented absolute figures. Whilst it was clear that some Centres had been adequately prepared for such a question, it was also clear that many had not. As a result a significant number of candidates failed to provide the correct response.

(b)(ii) In contrast to question b(i) this part of the question was dealt with very effectively. It was pleasing to note that candidates were able to identify trends and describe the relationship between the two variables rather than simply reading off respective figures directly from the two graphs. Weaker candidates attempted to explain the causes of these changes, rather than the relationship between them.

(c)   This part of the question was a good discriminator. Good answers identified an appropriate supply side policy, correctly linked this to a rightward shift of the aggregate supply curve and proceeded to explain why this shift would occur and how this would impact upon inflation. Some candidates lost all available marks because they failed to read the question carefully and proceeded to identify a demand side policy and how this might affect inflation. This underlines the fundamental importance relating to the need to read all questions carefully before attempting an answer. Marks were also lost due to candidates failing to make a clear statement relating to the final impact on inflation.

(d)(i) A surprisingly large number of candidates struggled with this part of the question. Many gave examples of seasonal or frictional unemployment and many provided vague comments relating to the business cycle but without further elaboration. Some gained one mark for recognising that this type of unemployment was linked to a recession; unfortunately the majority failed to focus on the key causal factor, i.e. the lack of aggregate demand.

(d)(ii) Generally this part of the question was answered well. A significant number of candidates gained at least one mark and a reasonably high proportion gained both marks. Marks were lost mainly due to a failure to refer to the specific text as instructed by the question. Some candidates could not distinguish between structural unemployment, as referred to in the text, and seasonal unemployment. Although many were aware that labour immobility was a key causal factor. Better answers pointed out that the decline of the agricultural industry was an example of structural unemployment.

(d)(iii) This part of the specification has frequently been addressed in the past and it was clear that candidates had been well prepared for a question of this nature. As a result the overwhelming majority gained full marks.

(e) Again, the requirement to provide an accurate aggregate demand and aggregate supply diagram has frequently been required by past 2883 papers. This has obviously been noted by the Centres and it was demonstrated very impressively by candidates. It was very pleasing to see so many clear, accurately labelled diagrams. Occasionally candidates made the mistake of producing microeconomic labelled diagrams but these were the exception. Also some candidates still confused the price level with the rate of inflation when labelling the vertical axis. Good diagrams were also frequently supported by some clear written explanation; hence full marks were often gained.

(f)(i) This part of the question required a very basic calculation which most candidates were able to produce to gain one mark. Weaker candidates simply subtracted the trade surplus from imports and concluded that the difference of $9bn was the correct answer

(f)(ii) This was a very straightforward general knowledge question which was almost universally well answered. The main error related to a failure to link to international trade, but this was relatively rare.

(f)(iii) There were a wide range of responses to this part of the question. Some excellent responses identified the key links between a removal of a tariff, a subsequent fall in the price of imports, an increase in the demand for imports and the likely negative impact of this on the trade balance. Hence many gained full marks for analysis. Well prepared candidates also fully understood the command words' comment on' and proceeded to support their analysis with first class evaluative comment, therefore gaining full marks. Unfortunately, as pointed out in the General Comments, far too many candidates failed to provide any supporting evaluation.

(g) There were many good examples of mature, carefully structured answers to this question. A significant number of candidates were able to gain at least a Level 3 response mark based on an ability to make clear links between an increase in government spending, its effect on aggregate demand and how these changes in aggregate demand might ultimately encourage firms to produce more goods and services. This analysis was often supported by good, clear diagrams.

It was especially pleasing to note the large number of candidates who were able to build on this analysis further by producing some very well argued evaluative comment. Many referred to potential problems relating to inflation, the need to raise the level of taxation to finance additional spending, problems with time lags and the incorrect estimation of the potential multiplier effects.

2884 Economics of Work and Leisure

General Comments

The candidate entry was considerably increased on that for 2008, but the overall standard, both at the grade A and at the pass/fail levels, was pretty much unchanged. The paper seemed to be appropriate, with major areas of the specification covered, and, as usual, there was no evidence of any serious time constraint affecting candidates. Hardly any candidates infringed the rubric, and the general quality of written communication seemed to be in line with that in the recent past.

The data for Question 1 did not seem to cause candidates much difficulty, and it was again encouraging that there were fewer instances than has sometimes been the case of candidates allocating their time unwisely in answering the different parts of Question 1. However, there were also more instances than is usual of answers to Question 1 gaining considerably less than one half of the marks available.

In Section B, there was a significant disparity in the number of candidates answering the different questions; the majority answered Question 2, with a sizable minority choosing Question 4 but only a few attempting Question 3. As the following comments on individual questions make clear, answers to part [b] of all three essays tended to demonstrate a good grasp, by many candidates, of the requirements of the instruction word 'discuss', although overall both (a) and (b) parts of each question discriminated well.

Comments on Individual Questions

1a(i) Answers varied considerably in quality. Many candidates identified clearly a couple of 'trends' from Fig. 1 – for example that the Gini coefficient showed an increase over the whole period, and that it increased most between 1984 and 1988 - and made clear that they also understood what these implied for the distribution of income – i.e. whether or not it was becoming more equal or more unequal. However, others showed, by the wording of their answer, that they had failed to interpret the variables involved correctly; for example, these answers tended to make statements such as 'the distribution of income increased'.

1a(ii) Most answers correctly identified that income became more unequally distributed between 2005 and 2006, and proceeded to suggest a reason for this. Reasons offered varied considerably, and Examiners accepted any sensible suggestion; it was important, though, that the answer made clear why the suggested reason should have the identified impact on income distribution. However, a greater problem concerned the instruction to 'comment', which required an answer to go a little further – for example in qualifying the reason, or in expressing and justifying doubt as to the extent to which it might be valid; relatively few candidates went any further than merely explaining a reason, and so were restricted to only two marks out of the available four.

(b) Many answers showed full understanding of what was required, but others failed to associate 'real' with the 2.3% rise in prices at all. Others failed to identify that it was the stated 5% rise in basic salaries of directors which was relevant.

(c) This was a fairly straightforward question on a central topic in 2884, and it was disappointing that quite a large minority of candidates were unable to explain what Marginal Revenue Product (MRP) measures, as well as finding it difficult to relate the concept to the determination of pay. The better answers, of course, gave precise explanations of the concept and explained MRP as underlying a firm's demand for labour.

(d)   This question gave candidates the opportunity to discuss an issue which is of considerable current concern, in the context of the material provided in the data. The weaker answers tended merely to argue a case for 'exceptional performance' being rewarded, without considering what the phrase might actually mean, and/or to put a counter-case quoting the terms used by Brendan Barber in Extract 1 without any further development of them. There were also, however, many other answers which showed an impressive understanding of economic issues raised by the Miles Templeman view – for example, problems of interpreting 'exceptional performance; problems of recruitment and motivation; issues of risk and reward; problems of inequality. Such answers particularly impressed Examiners by their ability to apply aspects of candidates' understanding of the subject in an unseen context.

2a   A large majority of candidates presumably recognised in part [a] of this question an issue of which they thought that they had a good understanding – hence their choice of Question 2 out of the three options available in Section B. However, their answers demonstrated a wide range of actual performance. There were some very weak answers which did little more than explain that income from work and leisure were alternatives, and made no mention at all of the concepts of income and substitution effects, in spite of the explicit instruction in the question to do so. Slightly better – though not much - were answers which stated as fact that workers had a 'backward-sloping supply curve' because of the substitution effect at low wage rates and the income effect at high wage rates, without either explaining what these effects actually represent, or showing an understanding of the way they might combine for any given worker. Of course, there were also many answers which showed excellent understanding, and these were given due reward. Diagrams were often used in answers, though, of course, these were not essential for an answer to access the top marks; it was the quality of the explanation which mattered.

2b   The answers to part (b) were generally better than (a), because candidates generally did not seem to be tempted to try to produce some pre-prepared answer, but instead tended to address the question more directly in its own terms. Examiners were happy to accept a wide range of approaches to what the 'possible effects' might be, provided that an answer attempted to address the hours worked issue as well as possible consequences for the economy as a whole. Similarly, candidates had several avenues open to them to demonstrate the skill of evaluation which the instruction word 'discuss' points towards ; some adopted a good outcomes/bad outcomes approach, whilst others addressed questions of the extent to which the effect(s) which they postulated might or might not occur in practice and in different circumstances. Weaker answers tended to concentrate only on the hours worked issue and candidates should realise that it is not necessary to repeat material already provided in part (a), but rather to use it as appropriate in part (b) ; or to describe some possible effects without any attempt to 'discuss' them.

3a   The question did not attract many candidates, but there was a full range of responses in terms of quality. In (a), most answers demonstrated a reasonable understanding of the characteristics of an oligopoly, but the variation in quality was largely a function of the extent to which the question was explicitly addressed. Thus weaker answers tended to compare oligopoly to other market structures – usually monopoly – or to attempt to explain why one firm in an oligopoly might earn more profit than another. The better answers, of course, attempted to suggest reasons why different oligopolies might be expected to generate higher or lower levels of profit.

3b   It was important in part (b) that an answer made clear the impact of what 'recent technological change' it was considering – e.g. the development of satellite or digital broadcasting, or the development of the Internet for the package holiday market; some weaker answers tended to consider efficiency and/or profitability of a chosen leisure market without doing this. It was important too that answers addressed the issues of both efficiency and profitability; some ignored one or the other completely, whilst others seemed

unclear as to the meaning of 'efficiency' in particular. However, there were also a small number of excellent answers, which established clearly both the scenario they proposed to consider and relevant efficiency and profitability criteria, and then proceeded to give appropriate analysis and to incorporate relevant evaluation.

4a   Part (a) gave candidates the opportunity to produce a relatively straightforward piece of economic analysis from the theory of wage determination, and to apply it in the particular context of the effect of trade unions. Most candidates who chose to answer this question were able to explain elementary wage determination, usually using a diagram, reasonably effectively, though it is important that candidates realise the importance of integrating any diagram they use into their explanation, rather than leave it to the Examiner to do this. Variation in the quality of answers was a function of whether or not they considered different possible 'effects' – for example, on employment or on wage differentials – dependent on circumstances. Weaker answers tended to state as fact that trade unions cause fewer workers to be employed without any further consideration of the issue, for example; and only the very best answers considered the question of impact on RELATIVE wages.

4b   In part (b), there were again some excellent answers, which showed skills both of analysis and of evaluation, and these usually began by considering precisely what is meant by 'flexibility' in terms of the operation of the labour market. Having then explained how one or more relevant policies might be expected to achieve greater flexibility, evaluation tended to be in terms of either questioning whether or not such an achievement was likely in practice, and at what cost, or considering whether greater benefits might be obtainable via some other policy route. Weaker answers to this part of the question usually failed to establish what 'operate more flexibly' might imply, and so generally merely explained some government labour market policies without having the necessary focus. Others demonstrated that they preferred to answer a question on reducing labour market failure in general rather than the one actually asked.

2885 Transport Economics

General Comments

The question paper was appropriate to the candidates for whom it was intended. Overall candidates appear to be confident with the assessment criteria and the application of AS concepts in a transport context, although there was much disparity in performance between Centres and less familiarity with concepts new at A2 such as efficiency comparisons in different market structures.

There were few examples of rubric error (although more candidates than usual attempted more than one question in Section B) and time constraint. It appears that the vast majority of candidates divide their time between sections, although some would be better advised to think more carefully about the question set and write less but more coherent answers.

Section A was not answered as well as in previous January sessions. There were still many good responses but the main failing of some candidates was their inability to explain the possible impacts of increased competition and, in particular, when applied to efficiency in the provision of airports and their facilities. In Section B Question 4 was the most popular but all essays were attempted in reasonable numbers. Most candidates were able to make evaluative comments in part (b) but many lacked specific focus on the question set.

Comments on Individual Questions

Q 1)

(a)   This part of the question discriminated well. The majority of candidates were able to secure some marks by stating two economic reasons for the private ownership of many of the UK's main airports, such as providing for increased competition, the incentive to increase efficiency through the profit motive or greater access to funds to finance expensive investment projects, such as the upgrade of terminals. However, some candidates found providing explanations difficult or did not always develop reasons as fully as they might have done.

(bi) Generally well answered although some candidates could not link dominance to high market share and/or develop an idea of what such dominance might imply for a market.

(bii) Most candidates were able to score at least two marks by relating the data supplied in the stimulus material to definitions of monopoly. However, they failed to provide a commentary, with only the more able relating to the Competition Commission report and/or the high barriers to entry which BAA maintains. Some gained Level 2 simply by comparing dominance in the South of England with the rest of the UK.

(ci) Most candidates were able to gain some credit by using a simple demand and supply approach, with the supply curve shifting to the right. Surprisingly few however, provided a more sophisticated diagram contrasting the monopoly and competition positions. The better answers also went beyond the change in price and quantity to consider the possible effects on efficiency and consumer surplus.

(cii)   Many candidates were able to explain the case for increasing competition in general. Better responses were able to consider the case against competition in terms of economies of scale and dynamic efficiency. However, few focused on the context, i.e. there needed to be some specific discussion of the situation in relation to airports and their facilities, such as runways, check-in facilities, baggage handling provision and the availability of appropriate shops. Where application was attempted, a number of candidates got rather confused between a discussion of airports and airlines.

2)   (a)   Most candidates achieved at least Level 2. Weaker responses adopted a conversational style, writing generally about factors influencing rail passenger transport (convenience, price, etc.). Good answers were more analytical covering a range of economic concepts with appropriate terminology such as derived demand, PED, YED etc.

    (b)   There were a number of good responses in relation to the impact of growing demand for rail transport services on rail infrastructure, leading to a need for increased maintenance, longer trains and possibly new stations. Some candidates were also able to make a distinction between the short-term and the long-term infrastructure upgrading. The discussion of sustainability, unfortunately, was not done as well. Most of the candidates were able to explain what was meant by sustainability and why rail is more sustainable than other modes but often struggled to link this effectively to the consideration of possible changes in the infrastructure.

3)   (a)   The main problem in answering this question was that many candidates failed to distinguish between what is a private cost and what is an external cost. Subsequently, they found it hard to achieve Level 3. Examples of private costs included the cost of fuel and insurance and also time to the motorist. Examples of external costs included various forms of environmental pollution associated with congestion. The better candidates were able to explain that motorists both cause external costs and have such costs imposed on them.

    (b)   Unfortunately there were many mechanical and rehearsed answers which failed to fully evaluate the question set. Most candidates were able to offer a useful consideration of the effectiveness of using the cost benefit approach when appraising transport infrastructure projects and there were some useful discussions of the problems associated with particular models, such as COBA. The better answers did focus on the effectiveness of the cost benefit approach and were able to bring in various examples to support the general points being made.

4)   (a)   Candidates were well prepared and able to use an effective negative externality diagram and explain that transport users only considered private costs. However, many still did not show diagrammatically a divergence between MPC and MSC which would have aided their answer when considering increased transport use. The best answers clearly understood the relevance of third party effects not considered and hence a misallocation of resources through over consumption, showing a degree of sophistication in their explanations.

(b)   There was some good discussion of the problems of using taxes on transport users. However, there was a lack of focus on how such taxes might reduce the misallocation of resources, with many candidates answering a question about reducing negative externalities and therefore an irrelevant focus on PED. The stronger candidates focused on the need to identify the correct level of tax, 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

There was an increase of over 25% in the entries for this unit from the previous January. Candidates demonstrated the whole range of ability with some very impressive scripts at the top end and a pleasingly small number of disappointing scripts from either ill-prepared or poorly motivated entrants. The performance on the data response seemed slightly improved, while many candidates were able to produce a competent essay.

Recurrent weaknesses continue to occur and either directly cost the candidates marks or undermine the candidates in using their understanding to best effect. Among these is reversing the intended meaning by carelessly omitting 'not' or writing likely instead of unlikely and so on. The misuse of technical terms such as wealth, capital and productivity and the failure to give precise definitions means an opportunity to gain marks may be missed. There is also a not uncommon misunderstanding that the revenue from exports or the balance of payments surplus is a source of government income in the same way as taxation. Points are made but left incomplete so the Examiner feels the need to write how? why? therefore? in the margin to indicate where the point might have gone on to. The use of examples can be restricted for those candidates who insist on drawing them either from the current or apparently from previous data response questions. Practice at previous questions is a valuable examination preparation but should not be considered the major source of background information. At this sitting there appeared to be somewhat less planning of answers, evidenced by footnotes and false starts to the essay. Unclear writing and poor punctuation remains a problem for some candidates. Two interesting new concepts emerged this session in the form of price power parody and the tetanus fly.

Comments on Individual Questions

1 (a) This concentrated on the economic conditions and prospects of Timor-Leste, a recently independent LEDC. Most candidates recognised two relevant obstacles by referring to the second paragraph of the data, although a few did miss this source. The quality of explanations varied with weaker ones concentrating on growth rather than development or copying directly from the data.

(b)(i) This was generally well done with most candidates scoring the two marks. There were frequent references to the existence of subsistence farming, barter and the reliability of the statistics. Some candidates did not understand the point of 'understate', while others were confused over the use of nominal and real values.

(b)(ii) Again candidates coped well with the task and considered issues such as low productivity, traditional methods, restricted cash crops and international competition. Less relevant were answers which focused on the government's position or copied extensively from the data.

(c) All candidates were able to identify some support from the data for increasing or decreasing development. However, the comments on the significance for development varied considerably. Better answers commented on individual aspects of the whole picture, as well as the overall outcome. They also incorporated elements from the text to support the more obvious data in the table. An error made by some candidates was to interpret the fall in the value for 'improved water' and 'underweight children' as deterioration. More careful reading of the terms would have avoided this error.

(d)   There were some very comprehensive answers which made detailed reference to the nature of the two industries in a manner relevant to economic development. These appreciated the differences such as labour and capital intensity and potential sustainability. Such approaches often incorporated economic trade theory and examined different types of externality. Lower scoring responses treated both industries as having similar effects to any other industrial development. Those candidates who repeated the same ideas for each were not awarded double credit. A wide range of points might have been made, not all of course, necessary for full credit, which caused some candidates to write at greater depth and length than was necessary to gain the maximum mark.

Essays

2(a)   This examined the use of the term 'developing' and the choice between growth or development policies. This proved to be the least well answered essay. The problem for many candidates who tried this was to establish a clear approach. They tended not to consider for what a term might be helpful or unhelpful. After indicating that the term was vague and applied to countries with different features and levels of development they were unable to take the answer further. The stronger responses detailed similarities and differences between countries which are labelled developing and then related this to policy issues and aid provision. Candidates often struggled to reach Level 3.

(b)   The distinction between growth and development was known by candidates although some did not pursue it beyond a brief opening sentence. A fuller consideration was merited given the focus of the question. The benefits, and sometimes the drawbacks, of the selection of a growth choice were handled competently but the selection of development as the priority resulted in assertions rather than discussion. While candidates were generally able to produce a discussion it sometimes lacked depth and balance.

3 (a)   The focus here was savings gaps and foreign exchange gaps and the role of multinationals in closing them. Candidates were knowledgeable on the savings gap but there seemed to be a degree of guessing on foreign exchange gaps. Some tried unsuccessfully to make a link to relative exchange rates. General definitions were common with few achieving precision. In the case of the savings gap, concentration was almost entirely on the savings of individuals with no notice paid to firms or the government. The outcome was that few candidates scored in the top half of Level 3.

(b)   As usual, the mention of multinationals produced a Pavlovian response. Weaker answers considered the pros and cons of multinationals without making direct reference to their impact on the gaps, other than a concluding 'so they help to close the gaps'. As should be expected, these gained limited credit. Although, as indicated earlier, foreign exchange gaps were less understood than savings gaps, candidates were, nevertheless, able to analyse some of the MNCs' impacts on trade and currency movement which they then related to the foreign exchange gap. Analysis of the impact on savings gaps usually resulted in discussion of higher incomes for MNC employed workers and the government, with the MNC also saving directly. This was set against actions which tended not to reduce the gap while not widening it, such as low wage levels and tax concessions. Arguments on the foreign exchange gap considered the ability to export, the need to import, and the effect of FDI and profit repatriation. While good answers were built on these arguments, too many made the direct application to the gaps in only part of their answer.

4 (a) The question concerned the causes of population problems in low income countries and the relevance of international migration to development. This was the most popular question. Candidates were familiar with causes of population problems, particularly high birth rates and rapid growth in population. Many made reference to education levels, availability of contraception and cultural attitudes. The problem of migration also featured prominently. Less convincing responses wrote about large populations rather than rapidly growing ones, did not use demographic terms and wrote at length about Chinese and Indian population policies.

(b)   A clear structure was the key to a good outcome. Some candidates failed to make clear the direction of movement and the assumptions they were making. This led to rather confusing accounts. It was surprising that some candidates did not set the answer in the context of low income countries but concentrated on Polish plumbers in the UK, that some looked at internal rural to urban migration and that some interpreted it as a question about multinational companies. Those who worked systematically through the benefits and drawbacks for the two countries involved produced good answers. These broadly set the problem of a brain drain against remittances and returning skilled workers for one country and filling labour gaps against pressure on resources and cultural conflicts for the other.

2887 The UK Economy

General Comments

The number of candidates attempting this paper was in line with recent sittings. The paper seemed to work well, with perhaps a greater degree of accessibility displayed by the data section answers compared to the essay section. Candidates appeared to take more notice of the instructions contained within the questions set, a pleasing response to the last report printed, and consequently better directed their answers to the question set. A pleasing number of candidates provided answers which revealed a combination of 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 monetary policy and this was provided via an adaptation of the Bank of England's own explanation of how monetary policy works. This is available to all on its website, a resource that any candidate may readily access themselves. The better scoring scripts on this section of the paper were those written by candidates who carefully read the information provided, focused on the question set and combined their answers, when relevant, with a good knowledge of the recent macro-economic history of the UK.

The essay section offered candidates an opportunity to write about the international dimension of the UK economy, conflict of macro-economic objectives or UK fiscal policy. Question 3, the fiscal policy question, was by far the most popular essay option, which over 90% of candidates chose to answer. A small percentage chose to answer the policy conflicts question and, unfortunately, even less attempted the international trade question. On the whole the standard of answer was quite variable but, once again, there were a pleasing number of high quality answers along with the less successful attempts. Section (a) of the essays often provided the opportunity for candidates to secure marks in the highest level. Section (b) answers were, once again, as last year, handicapped by a lack of sufficient analysis and in consequence failed to secure high Level 4 scores.

Comments on individual Questions

1 (a) Most candidates scored well on this part of the question, with hardly any candidate failing to secure at least a single mark.

1 (bi) This part of the question proved to be more problematic than anticipated given the direction offered by Fig 1. Reading backward across the diagram, aggregate demand is a combination of domestic demand and net external demand. All candidates must be aware from unit 2883 that aggregate demand is made up of C+I+G, Domestic demand, + (X-M) i.e. Net external demand. Many candidates failed to use the information provided to help them with their answers.

1 (bii) The anticipated answer to this part of the question was one that would emphasise that cost push inflation potential of import prices. A number of candidates approached the question from a different angle, saying if import prices fall, demand for them will increase, domestic demand will fall, therefore, easing demand pull pressure. A logical if less obvious approach which was equally merited.

1 (ci) For the most part this was a well answered question which gained candidates three or four marks. This is clearly a linkage which has been well taught by many Centres.

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1 (cii) 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 on" directive phrase being the clear signal. Examiner's reports for the last two sessions have flagged up problems that candidates appear to face with this kind of question. Many offer a one sided explanation with no commentary and consequently are unable to score more than two marks. Some candidates will explain then give a simple evaluative statement, but, as ever, the best will offer some qualification to their judgement.

1 (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. The main problems that candidates displayed were an inability to remain focused on the question, an inability to offer a rounded conclusion, and in a few cases, a total misconception of the question being asked, and answers provided discussing the marginal propensity to consume. The latter approach was not rewarded.

Section B Essays

Question 2

a) This was the least popular question on the paper. Those candidates who did make the choice to tackle it were generally rather unsuccessful. However, a small number of candidates had obviously been well prepared for just such a question and consequently scored well.
The few very good responses which 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) Answers to this part of the question were often not very well structured. Many candidates offered some applied knowledge of the topic, but failed to take their essays further. Even candidates who showed an ability to analyse one or more protectionist policies then failed to go on and tackle the question directly. It was hoped that candidates would offer a clear discussion of the relevance and practicality of protectionist policies to the UK in the 21st century global economy and conclude with an overall judgement of the justification of such policy use.

Question 3

This was by far the most popular essay question and was answered to varying degrees of success.
a) Most candidates who answered this question were able to secure at least a Level 2 score on the first part. Those who went on to secure the higher marks did so by giving a clear analysis of expansionary fiscal policy. A great many candidates ignored the anticipated route to answering the question and tackled it from a supply-side perspective rather than a Keynesian discretionary fiscal policy demand side approach. Although this was acceptable and full marks could be achieved this way, it did appear to make candidates more likely to just write a descriptive account rather than an explanation firmly constructed on a theoretical base.

b) There were many successful answers to this part of the question, with many candidates gaining marks in the Level 4 range. The majority of these candidates concentrated on developing a genuine discussion around the topic. Some concentrated on both the benefits and deficiencies of using fiscal policies to solve unemployment problems. However, the best did this and then offered a summary conclusion which explicitly evaluated the extent to which such policy alone will work.

Question 4

a) The majority of candidates who answered this part of the question failed to achieve a mark above the top of Level 2. Clearly, this was due to an inability to analyse macro policy conflicts. The anticipated most likely approach was via the Phillips Curve analysis of the unemployment/inflation trade-off. This did appear, but was often just presented and not adequately explained in the context of the question.

b) Answers to this part of the question often lacked structure and tended to amount to little more than a display of applied knowledge. The anticipated approach was one which offered an applied answer in context of the UK economy over the last ten years. It should have included a discussion of the possibility of achieving the success of low inflation, high employment, sustained growth and satisfactory balance of payments position. Top Level 4 answers would consider the difficulty of achieving all macro goals simultaneously and offer a judgement as to the possibility of the government reaching this target.

2888 Economics in a European Context

General Comments

Performance on this paper was variable, both within and between Centres. Part of the reason for this appeared to be the lack of focus on the precise demands of the questions set by some candidates. The clearest example of this was to be found in the responses to Questions 1(b), 3 and 4. Diagrams with macroeconomic labels featured repeatedly in responses to Question 1(b); the macroeconomic consequences of the euro's appreciation took the focus away from firms in Question 3 and a desire to analyse the benefits of membership of the European Union resulted in some candidates not achieving as high as they might have done. Better candidates were able to adapt their preparation for the examination to the particular questions set.

Nevertheless, there were some exceptional responses which not only focused on the demands of the questions but did so with a great deal of poise. Such responses were always supported by economic analysis and made judgements when required. These were, as ever, a joy to read and are testament to the way in which teachers and candidates have prepared for this examination.

Comments on Individual Questions

Question 1 (a)
Responses to this part of the question continue to be overly long and lacking in focus and precision. Period by period regurgitation of the data in Extract 1 is still common place. Identification of overall trends, exceptions to the trend and the ability to quantify changes marked out the candidate offering a summary of economic performance, rather than a blow by blow account of the changes seen. Encouraging candidates to stand back from the detail of the data and précis what they see is, examiners feel, the route to success on this type of question.

Question 1 (b)
It was surprising to see so many incorrectly labelled diagrams in responses to this part of the question - macroeconomic AD/AS diagrams were common. For some candidates, this did not prevent them correctly analysing the reasons for rising house prices and the mark scheme accommodated the diagrammatic errors by allowing application marks to be awarded for correct directional shifts in demand (even when labelled AD). For other candidates it was clear that their responses were analysing the consequences of rising house prices on the macro economy and these inevitably scored less well. Generally the treatment of the reasons for higher demand in the housing markets in Spain and Ireland were explained superficially, often just quoting the material in Extract 2. That said, there were some candidates who were able to fully analyse the determinants of the demand for housing. It was less common, however, to see analysis of the supply side reasons for rising house prices linked to the diagram offered, but those candidates who did were invariably awarded full marks for this question. A small point to note was the rather loose use of the term 'inelastic' when referring to price inelasticity.

Question 2
Many candidates approached this question by examining the costs of inflation. This was a valid approach and resulted in some strong analysis of why inflation damages economic performance. At the top end, clear links were established between inflation and economic growth, employment and the balance of payments. Weaker responses simply listed the costs of inflation, without explaining what the consequences might be. It was pleasing to see candidates recognise that price stability would avoid the costs of deflation, given that this issue increasingly dominates the coverage of monetary policy. Commentary on the benefits of price stability was less evident in candidates' responses. Candidates rarely took the opportunity to examine whether individual benefits were significant or what would make them significant. The simple point that the costs of

inflation are dependent on the rate of inflation was not seen as often as might have been expected. Some very strong candidates examined whether the nature of inflation targets had a bearing on the benefits of price stability, contrasting symmetric and asymmetric inflation targets. Others looked at whether the pursuit of price stability by the European Central Bank would bring advantages for all members of the euro area. Some commentary offered was rather general and lacked the European context required for top marks.

Question 3
Examiners commented on the lack of focus of many responses to this question. Candidates were not always able to maintain focus on the impact of the rising euro on firms in the euro area. Such responses often engaged in analysis and commentary of the macroeconomic consequences - focusing on AD, economic growth, unemployment and the balance of payments. Candidates whose responses were entirely macroeconomic were awarded marks in Level 2 of the mark scheme. The analysis of the effects of the appreciation of the euro was not always explicit, even in the best responses. There was also widespread confusion over the role of price elasticities of demand in determining the impact on firms. An appreciation of the euro always reduces export revenue in euros, regardless of the price elasticity of demand. Weaker candidates did not tend to recognise that some firms might benefit from an appreciation of the euro, through lower imported raw material or component prices. Stronger candidates did examine this and also went on to comment on the extent to which it was appropriate to treat firms as either exporters or importers, arguing that they could be both. Better candidates went beyond paraphrasing the Extract material and analysed the issues raised. There was some good treatment of unit labour costs, and their determinants, and the strategies that firms might adopt to limit the problems created by a rise in the value of the euro. A lack of rigour in the use of terminology was apparent in some responses - exports seen as 'inelastic' rather than 'price inelastic' for example. Some candidates appeared determined to throw in concepts (such as the Marshall-Lerner condition) which had little bearing at the microeconomic level.

Question 4
The responses to this question lacked the clear focus which Examiners had expected. This was because the treatment of the benefits of membership of the euro area by some candidates appeared to focus on the benefits of the Single European Market (SEM). Better candidates avoided this pitfall by identifying that the benefits related to reduced transactions costs, greater price transparency and the elimination of exchange rate risk in intra-euro area trade. This allowed such candidates to develop their analysis of the benefits of membership of the euro area using AD / AS diagrams. The costs of membership were better understood and, in general, these were well explained in terms of the European Central Bank's (ECB) 'one size fits all' monetary policy. A competent analysis of both the benefits and costs allowed candidates to score at the top end of Band 1 of Level 4 of the mark scheme (16 marks). Band 2 required candidates to make supported judgements about the balance of the benefits and costs and the extent to which benefits or costs were long term or short term. Too often there was simply an assertion that a particular benefit or cost was short or long term. This lack of reasoning made it difficult for some candidates to access the marks in Band 2 of the mark scheme.

Grade Thresholds

Advanced GCE Economics (3812/7812))
January 2009 Examination Series

Unit Threshold Marks

Unit		Maximum Mark	A	B	C	D	E	U
2881	Raw	45	34	31	28	25	22	0
	UMS	90	72	63	54	45	36	0
2882	Raw	45	32	28	24	21	18	0
	UMS	90	72	63	54	45	36	0
2883	Raw	45	36	32	28	25	22	0
	UMS	120	96	84	72	60	48	0
2884	Raw	45	31	28	25	22	20	0
	UMS	90	72	63	54	45	36	0
2885	Raw	45	32	29	27	25	23	0
	UMS	90	72	63	54	45	36	0
2886	Raw	45	33	30	27	24	22	0
	UMS	90	72	63	54	45	36	0
2887	Raw	45	32	28	24	20	17	0
	UMS	90	72	63	54	45	36	0
2888	Raw	60	45	39	34	29	24	0
	UMS	120	896	84	72	60	48	0

Specification Aggregation Results

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

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

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

	A	B	C	D	E	U	Total Number of Candidates
3812	16.9	44.3	73.8	90.4	97.4	100	497
7812	24	60.8	85.6	96	100	100	135

632 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.

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