GCE

Economics

Advanced GCE **A2 H461**

Advanced Subsidiary GCE **AS H061**

Report on the Units

January 2009

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Advanced GCE Economics (H461)

Advanced Subsidiary GCE Economics (H061)

REPORT ON THE UNITS

Chief Examiner's Report

General Comments

This was the first session for entries for the new specification. Overall, entries for F581 were up on the equivalent unit from last January. Feedback from teachers and from examiners was that this unit could easily be taught in the first term or so of the course. There were no real problems of timing evidenced in scripts. Where scripts were short in length it was due more to a lack of knowledge than a lack of time.

At AS, on F581 especially, candidates need to be reminded of the significance of directive words such as 'comment' and 'discuss', both of which signal that AO4 marks are available. A good grade on this unit can only be achieved when candidates score well on the three questions that contain these important words.

Another important point which should be noted is that some candidates continue to answer questions that have not been set. Candidates should be encouraged to read the questions thoroughly before answering them.

F581 Markets in Action

General Comments

This was the first sitting for this AS unit in the new GCE Economics (HO61) specification. It was taken by 6400 candidates, all of whom were taking the unit for the first time, presumably after studying AS Level Economics for just over one term.

The question paper in some respects closely resembled its precursor 2881 The Market System, particularly in the style and format of some of the questions. In other respects it was different, namely

- 1½ hours writing time
- 60 marks total
- a longer case study from which the questions were drawn
- rather more questions in context
- a final question that required continuous prose and is worth 18 marks
- three questions where the A04 assessment objective was being tested. These have 'comment' or 'discuss' as directive words.

The topic of the case study, rising food prices, was both current and accessible. It was drawn from a range of sources and included material from the UK and elsewhere. The content posed few, if any, problems for candidates.

36 marks were available for questions from the first two sections of the specification, with 24 marks available for those from the final section on market failure. This format will persist for at least the next three question papers.

This was the first time that the assessment of scripts was on-line. Centres will notice that the mark scheme provided is more detailed than those from previous 2881 examinations. For future reference, it will be useful if teachers can remind candidates of the need to write answers if at all possible in the spaces provided. Candidates should avoid writing down the sides of such spaces and make clear where additional paper is used.

The overall performance of candidates was variable. At the top end, there were some excellent scripts from well-prepared candidates who had clearly grasped the content of this microeconomic unit. For a mark of above 50, candidates usually needed to score a high L4 mark on their answer to Question 7.

Very few candidates scored particularly low marks. This was due to the marks available for straightforward knowledge and comprehension in the early questions. Questions 5 and 7 though posed a challenge, allowing the opportunity to differentiate.

Answers to Question 7 were variable in length as well as in quality. This was a hard question at this level in some respects, although it tended to compensate for some earlier questions where mainly knowledge recall was required. There were no timing issues evidenced. Short answers to Question 7 seemed to be a function of a lack of understanding rather than a shortage of writing time.

It is not possible to comment on centre variation since OCR's on-line marking system, allocates candidates randomly to assistant examiners.

Comments on Individual Questions

1. For the majority of candidates, this was a simple opener for which 2 marks were gained. Three factors of production are implicitly contained in lines 20-23 of the case study. Not all candidates knew what was meant by a factor of production, giving a perplexing range of answers to what seemed to be a straightforward question.

2.a Another straightforward question; this time a definition which has been asked on various previous 2881 question papers. A high proportion of candidates gained 2 marks for a typical textbook or near textbook definition. One mark was awarded for each of the components (best alternative, foregone).

b   On the surface this should have posed few problems as similar questions have also been asked on 2881 examinations and PPC's are important content in the first section of the specification.

    Not all diagrams were complete. A common error was to not label the respective production possibility points on the X and Y axes; another error was where candidates failed to identify at least two points on the PPC itself. 3 rather than 4 marks was typical. A small number of candidates labelled the axes 'price' and 'quantity', which is obviously wrong and gained then no marks for the diagram part of the question. A few candidates did not label the axes in context – 'guns and butter' and 'capital and consumer goods' were sometimes given.

    With reference to the explanation, most candidates scored 1 mark for recognising that a choice had to be made. Rather fewer candidates though were able to explain how opportunity cost could be used to explain the choices facing Caribbean producers. Both could be best explained with reference back to a correctly drawn diagram.

3.a Virtually all candidates scored some marks for picking out two reasons for the increased global demand for food products. For full marks, the answers had to make clear that this reason had actually led to increased global demand. Not all did this.

b   The same skill was required as in Question 3(a), this time in relation to the global supply of food products. The same limitations were in evidence.

4   This question was well answered but only in terms of the diagram. Many candidates gained 4 marks where the diagram showed a shift to the right of D and a shift to the left of S. A diagram with one shift could gain 3 marks.

    Very few candidates though scored any marks at all on the 'comment' aspect. Only about 1 per cent of answers referred to the elasticity of demand or supply. A few more hinted at this and were given 1 mark for it.

5.a This was the second question requiring a definition for 2 marks. Most candidates gained these marks for a correct or essentially correct definition or for a formula. As when asked on 2881 papers, there were the usual crop of answers in terms of price elasticity of demand or where there was no reference to change in quantity demand or change in income.

b   Even where candidates scored 2 marks on part (a), this part (b) question generated a wide range of answers. At the top end, candidates were able to apply their knowledge of the concept to the estimates provided and then go on to comment on the quality of data and their use to Chinese meat producers. Although only a few candidates scored full marks, 6 marks out of 8 was indicative of a reasonable attempt.

A good number of candidates were unable to interpret the two estimates. A common mistake was to explain them as though they were estimates of price elasticity of demand. Another common mistake was to initially give a correct explanation in terms of income elasticity but then digress by stating how producers might alter their prices.

The 'comment' aspect was sometimes not included in answers. Whether this was an oversight or just a lack of knowledge on the part of candidates was unclear.

6.   Most aspects of this question were well answered. In particular, a simple diagram showing a shift of S to the right gained 4 marks for many candidates. Usually 2 or more marks followed for an explanation as to how the equilibrium position was affected through the introduction of a subsidy. Overall, the question posed few problems.

7.   This question was a difficult one for candidates at this level. A good approach, pursued by many better candidates, was to see food as a merit good which produced certain positive externalities. Within this context, it is possible to use the case material to draw up a two sided discussion with respect to the benefits and costs of introducing a subsidy.

At the top end, some well written answers that discussed a selection of benefits and costs invariably gained full or near full marks. It was very pleasing to see how these candidates used economic terminology such as opportunity cost, price elasticity of demand, positive externalities and income distribution as well as merit goods in their answers. In some, but by no means all cases, lines 24-27 provided a relevant prompt. Although most answers were balanced, some tended to focus more on the costs than on the benefits.

At the other extreme, there were weak, unstructured answers which struggled to go beyond a vague description of a subsidy. Between these extremes were answers which developed the explanation provided in Question 6 into relevant analysis.

It should be stressed that knowledge of why food prices specifically should be subsidised was not required. A very good answer could still be produced from a general knowledge of the case for and against governments subsidising particular products. On future question papers, the last question will continue to be of a general nature, prompted or referring to the context of the case study.

F582 The National and International Economy

General comments

This report is based on a very small number of candidates for the first sitting of this specification. None of the 61 candidates appeared to experience time problems and there were very few unanswered questions.

Three problems which have appeared in previous sessions with regards to the legacy specification reoccurred with some candidates in this new unit. One is the confusion by candidates between investment and saving. Another is the assumption that an increase in a country's output will automatically improve its current account position. The third is the tendency for some candidates to provide an answer to a different last question to the one actually set.

Comments on individual questions

1. Generally well answered although some candidates defined economic growth and a few wrote about GDP per capita.

2 a A mixed performance. There were some good answers. Some candidates, however, interpreted the figures as actual values of exports rather than as percentage shares. This led them to conclude that Mexico exported a greater value of products than the UK.

b There were some excellent answers to this question. These combined clear, well labelled and accurate diagrams with clear analysis. A few candidates drew micro diagrams and some failed to recognise that a fall in exports will affect aggregate demand.

3 a Most candidates calculated the contribution of investment correctly. A few candidates did not seem to be aware of the components of aggregate demand and a small number did not attempt the question.

b This question discriminated well. The strong answers identified two relevant causes and explained clearly and in sufficient depth how they would be expected to increase investment. The two most popular causes selected were a fall in the rate of interest and a rise in business confidence. Unfortunately, a number of candidates explained two causes of an increase in saving.

4.a This was probably the least well answered question. The best answers concentrated on the difficulty posed by the existence of the informal economy. Others, however, either wrote in very vague terms or misinterpreted the question and wrote why economic growth does not necessarily lead to a rise in living standards.

b There were some perceptive answers to this question. The main reason why some candidates did not score highly was because they did not make use of Fig. 2 or of the information in lines 12 – 15.

5.a This was the best answered question with most candidates providing relevant and clear answers.

b Some candidates did not pick up on the directive words 'Comment on' and so failed to evaluate. A number asserted points rather than explained them. For instance, a number stated that low unemployment causes inflation without explaining why and others wrote that it would lead to higher output and this would result in an improvement in the current account position, again without explaining why.

6.a   Most candidates were able to identify two supply side policies. A few, however, seemed uncertain about the nature of supply side policies or failed to be specific enough e.g. just stating taxation.

b   There were a few strong answers to this question. These analysed supply side policies and then provided some good evaluation. Some candidates, however, seemed uncertain about how supply side policies are designed to work and they wrote about the effects of increasing aggregate demand, whilst ignoring the effects on aggregate supply. Other candidates provided answers to different questions – the two most popular being 'Discuss the effects of inflation' and 'Discuss the extent to which monetary policy can be effective in reducing inflation'. In the latter case, the candidates made only a brief reference to supply side policies before going on to concentrate on monetary policy. Making a comparison with another policy could have been a relevant part of the answer but it would have had to be explained and done in context.

Recommendations to candidates

- Practise drawing AD/AS diagrams to illustrate the effects of changes in macroeconomic activity.
- Remember that there are now three evaluative questions on this paper.
- If a question refers you to the data, make sure you do take into account the data when framing your answer.
- Be careful not to confuse investment and saving.
- Do not try to twist the last question to a question you want to answer. It is crucial that you answer the specific question set.

Grade Thresholds

Advanced GCE Economics (H061/H461))

January 2009 Examination Series

Unit Threshold Marks

Unit		Maximum Mark	A	B	C	D	E	U
F581	Raw	60	48	43	38	33	28	0
	UMS	100	80	70	60	50	40	0
F582	Raw	60	47	41	35	29	24	0
	UMS	100	80	70	60	50	40	0

0 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.

OCR (Oxford Cambridge and RSA Examinations)
1 Hills Road
Cambridge
CB1 2EU

OCR Customer Contact Centre

14 – 19 Qualifications (General)
Telephone: 01223 553998
Facsimile: 01223 552627
Email: general.qualifications@ocr.org.uk

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