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GCSE

Economics

General Certificate of Secondary Education **GCSE 1985**

Report on the Components

June 2008

1985/MS/R/08

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General Certificate of Secondary Education

Economics (1985)

REPORT ON THE COMPONENTS

Chief Examiner's Report

There were 1334 candidates this session. The general standard is a high one, with 78% of entries being for the Higher Tier. The majority of candidates were entered for the appropriate tier, although there was at least one Centre where most were entered for a tier which was obviously unsuitable. There were a few candidates on the Foundation Tier who would have exceeded a grade C if entered for the Higher Tier.

The question papers are in the form of question and answer booklets. Additional lined pages are given at the back of the booklets for candidates to extend any of their answers, should they wish to do so. Many take this opportunity. However, in many cases, as in previous years, **candidates fail to notify the examiner that their answer is continued at the back of the booklet.** Teachers are urged to tell their candidates the importance of this. A simple 'see page 15' or 'cont. at back' will do!

1985/01 Paper 1 Foundation Tier Nov/2

General Comments

Most candidates were able to display some breadth of knowledge and understanding on this paper, and a reasonable ability to analyse and evaluate within some questions. While some weaker candidates did not attempt all parts of some questions, the majority were able to attempt all parts of all questions. There was no evidence of candidates running out of time.

The Quality of Written Communication was assessed within two questions and nearly all candidates achieved at least half marks for this. A common spelling error was 'there' instead of 'their'.

Comments on individual questions

Question 1

The data was in the form of a pie chart representing the make up of the price of petrol.

(a) Most candidates correctly calculated the percentage as 52.3%

(b) **(i)** Candidates were asked to complete the demand and supply diagram. Some did not attempt this at all. Some shifted the wrong curve, while others did not shift a curve at all, and some preferred to shift both curves! Many did show the correct new price and quantity position but without shifting the supply curve. Only a minority of candidates achieved all three marks.

(ii) Regardless of their answer for part **(i)**, most candidates achieved both marks for this part of the question.

(c) Candidates were asked to draw their own diagram. Some ignored the template given in part **(i)**, drew no diagram and so achieved no marks for this part of the question. Others still mixed up demand and supply curves or shifted the wrong curve. Some presented a diagram for petrol rather than cars. Most candidates did, however, understand that the demand for cars would be likely to fall and could explain why this was so. Overall, there was a wide range of responses to this part of the question.

(d) Most candidates could list the four factors of production, and many of the others could name two or three. The weakest answers did not identify any correctly as they seemed unfamiliar with the term.

(e) Most candidates recognised that variable costs change but only a minority on this tier related costs to output.

(f) Most candidates could identify two costs paid by car users.

(g) On the other hand, most candidates failed to identify two external costs. The most frequent answers were more private costs.

Question 2

(a) **(i)** Most candidates had some understanding of opportunity cost, although many did not give a definitive explanation of the term.

     (ii) Most candidates stated that staying at school or sixth form was the opportunity cost.

(b) This part of the question concerned the effect of a minimum wage imposed in a market, so there would be an excess supply of cleaners. Few candidates on this tier achieved full marks. There was some confusion between demand and supply and a lot did not use the figures given in Fig. 2.

(c) Most candidates were able to evaluate whether doctors should be paid more than cleaners. The weaker answers referred to 'harder jobs', etc., whereas better answers referred to training, skills, qualifications and so on.

(d) Candidates were asked to evaluate whether a national minimum wage is good for the economy. A wide variety of answers were given. The best were able to give arguments for (including fairness and incentives to work) and against (including raised costs and likelihood of unemployment). A common misconception was that 'everyone would be paid the same.'

Question 3

The data was in the form of a news report about a factory closure.

(a) Most candidates gave a reason for the factory closure.

(b) Candidates were asked for three reasons for relocation to Slovakia. Sometimes there was some overlap or repetition, but overall this part of the question was well answered. Candidates recognised lower labour costs, transport costs to the market, other costs such as rent and business rates, and so on.

(c) Although there were some odd answers such as China and Manchester, the vast majority of candidates could name two EU countries. These were usually countries with teams in the Euro 2008 competition being played at the time.

(d) Candidates were asked to explain two advantages of location within the EU. This was not answered well. Often, candidates failed to show understanding with regard to free trade, lack of barriers, large market and so on.

(e) Candidates were asked to match up the type of unemployment with its cause. Many got all four correct. The most common error was to confuse cyclical and structural unemployment.

(f) **(i)** Most candidates could identify what an export is with sufficient clarity to obtain the mark.

     (ii) Many candidates understood that exports would fall and imports would rise.

(g) There were many good answers with regard to the effects on the local community. Nearly all candidates referred to unemployment and a lot could explain some knock-on effects. Possible social effects such as more crime were often mentioned, as was reduction in pollution from the factory.

(h) Answers with regard to providing training schemes were usually competent, recognising workers would have more skills and be more employable. However, answers in relation to reduced taxes on cars were poor. Too many candidates thought this was to make cars cheaper – specifically for the unemployed workers.

Question 4

Two pie charts showed the revenue and expenditure of the UK government.

(a) **(i)** Many candidates could state two deductions from wages, but some gave council tax.
(ii) Most candidates correctly stated two taxes on spending.

(iii) Most candidates failed to name both taxes for local government revenue. Council tax was the most frequent correct answer, and corporation tax the most common incorrect answer.

(iv) Most candidates achieved both marks for the taxes collecting the most revenue.

(b) Nearly all candidates named the two largest areas of government spending.

(c) Should direct or indirect taxes be used for extra government spending? This brought a wide range of responses, although the overall standard was not high on this tier. Weaker candidates used a number of approaches. Firstly, they spent too long explaining the difference between direct or indirect taxes rather than which was the more effective to use. The second approach was to get bogged down in supporting the argument that more should be spent on education and health rather than how it should be funded. Most candidates did manage to come to a conclusion on whether or not spending should be funded by direct or indirect taxes, although some said it would be best to use a mixture of both. Some reached their conclusion on the basis of the current level of income generated and comparing that to expenditure on health. Quite a lot of candidates thought that there should be a strong link between using the services and paying the taxes. A common error was to state that everyone pays direct taxes so all contribute. The best answers did refer to issues such as demerit goods and ability to pay.

1985/02 Paper 2 (Case Study Paper) Foundation Tier

General Comments

Candidates were familiar with a range of aspects of the case study and were able to deploy economic concepts to varying degrees, alongside their general knowledge. Weaker candidates used few, if any, economic concepts. The longer discursive questions threw up, as might be expected, the most difficulties as candidates struggled to construct an argument. Some candidates lost marks as they did not realise that 'discuss' requires more than agreeing or disagreeing with the proposition. Some candidates had gaps in their knowledge and, therefore, omitted some questions. Generally, candidates were entered for the correct tier. On the whole, candidates were well prepared for the case study topic.

Comments on individual questions

Question 1

(a) Most candidates answered this part of the question correctly.

(b) Most candidates answered this part of the question well. Sometimes they gave a correct comparison without the use of figures from the case study, which denied them one mark.

(c) Generally, a well answered part of the question. Candidates were able to give a two-sided argument. It was very pleasing to see more able candidates using technical terms such as 'externalities'. Some candidates were able to explain a number of benefits of charging motorists to drive in a congested area; however, they were then unable to explain fully one or more costs and, therefore, only reached a low Level 2.

Question 2

(a) Most candidates correctly answered this part of the question. Some candidates who incorrectly answered the question could have gained some credit had they shown their working.

(b) In general, this part of the question produced good answers. However, there were some unusual answers; such as AA and NSPCA.

(c) In general, this part of the question produced weak answers. Candidates failed to discuss both the public and private sector providing healthcare. Most candidates only explained one side. Examiners marked this question using a level of response approach and, to achieve a Level 2 mark, candidates had to discuss both public and private sector provision.

Question 3

(a) This part of the question produced a varied response. Some candidates clearly understood the concept of total revenue and were able to give a precise definition. It was clear that a number of candidates had not learnt this topic thoroughly and, therefore, gave less precise answers; however, these were mostly acceptable. Some candidates defined profit; this answer did not score a mark.

(b) A well answered part of the question by almost all candidates.

(c) For this part of the question, candidates were asked to draw and label the total revenue line on the chart. Most candidates were able to use the information in the case study to draw the total revenue line successfully. Unfortunately, a number of candidates missed gaining the second mark by not labelling the line 'total revenue'.

(d) Most candidates gave the correct answer.

(e) This part of the question produced a varied response. Some candidates gave some good ideas backed up by some Economics. Weaker candidates used little Economics and did little more than repeat parts of the question.

Question 4

(a) Few candidates scored full marks on this part of the question. Many candidates did not attempt to use data from the case study to back up their description of the data. Two of the four marks available were for use of data.

(b) Candidates showed a wide range of ability on this part of the question. Some candidates shifted the supply curve with no justification. A number of candidates still forget to label axes, curves and equilibriums and, therefore, miss out on some relatively straight forward marks. Some candidates simply stated that demand had moved or shifted, or that price had changed. This approach scored no marks; candidates must give the direction of the change such as 'price has fallen' to gain a mark.

Question 5

(a) Generally, there were sound answers to this part of the question. Candidates were required to state that prices had risen for one mark and then to use the figures in the case study to back this up. On the whole, candidates were able to do this.

(b) More able candidates gave good answers here and were able to discuss why the change in interest rates would be both good and bad for the Jackson family. Weaker candidates were unable to explain why it was good for their mortgage and bad for their savings.

Question 6

(a) Generally sound answers were provided to this part of the question. Candidates were required to state that prices had risen for one mark and then to use the figures in the case study to back this up. On the whole, candidates were able to do this. Some answers were not completely accurate, although Examiners allowed a little leeway here.

(b) More able candidates were able to identify a cause of inflation and explain it. Weaker Candidates struggled with this part of the question, as they were unable to give technical terms.

(c) The majority of candidates concentrated on how inflation might affect the Jackson's standard of living. More able candidates were able to discuss how inflation might affect the Jackson's mortgage or savings.

Question 7

(a) Generally a well answered part of the question. The most common answers were Spain and Germany.

(b) Most candidates gave a good definition. It was pleasing to see a large number of candidates using data from the case study to support their definition.

(c) A substantial number of candidates stated that September was the best month to go. However, weaker candidates were unable to get past a simple explanation such as 'they get more euros from their pound' and, therefore, only achieved two marks. More able candidates used data from the case study and were able to explain that this meant the Jacksons could buy more goods and services. Some candidates stated May was the best month to go and, therefore, scored no marks.

Question 8

Examiners marked this question using a level of response approach. In order for candidates to achieve Level 4 they had to give points both agreeing and disagreeing. Unfortunately, a number of candidates did not do this, only giving an 'I agree' answer or an 'I disagree' answer; therefore, falling short of Level 4. Some candidates simply copied the data; this approach achieved only a Level 2 mark.

1985/03 Paper 3 Higher Tier

General Comments

The great majority of candidates were able to demonstrate a sound knowledge and understanding of economic concepts and apply them appropriately in order to achieve a good mark on this paper. There were rare examples of candidates not attempting answers to some questions. However, there was little evidence of time constraint problems, with no evidence of candidates struggling to finish the last question. Indeed, many chose to use the extra lines at the back of the booklet to extend their answers.

There was no obvious distinction between performances on the various questions this year, with strengths shown in both macro and micro economics.

The Quality of Written Communication was assessed within two questions and the majority of candidates achieved full marks for this. Some ideas could have been expressed more clearly and fluently by some candidates.

Comments on individual questions

Question 1

The data was in the form of a pie chart representing the make up of the price of petrol.

(a)   Most candidates correctly calculated the percentage as 52.3%

(b)   **(i)**   The majority of candidates did not accurately explain price inelastic demand for both marks. Most gained one mark for some understanding. A lot of candidates thought that inelastic means there is no change in demand at all.

        (ii)   Most candidates achieved both marks for explaining why the demand for petrol is inelastic.

        (iii)   Most candidates achieved both marks for explaining why the demand for new cars is elastic.

(c)   The demand and supply analysis question brought a wide variety of responses. Weak answers confused demand and supply factors; for example, stating that a tax on cars would shift the demand curve. There were also answers which reversed the curves on diagrams, although this was far less frequent than some years ago. Some candidates failed to put both curves on their diagram, so could not possibly analyse what would happen to price and sales.

        Some candidates presented rehearsed kinds of answers which had poor application to the product in the question, such as changing fashion for new cars or bad weather affecting their supply. The best answers had accurate diagrams, clear written analysis and strong application. These, for example, discussed the price and availability of substitutes (e.g. used cars, public transport), the price of complements (especially petrol), real disposable incomes and the population of driving age on the demand side; and various costs, taxes and technological advancements on the supply side. Please note that, unfortunately, a lot of candidates referred to corporation tax rather than indirect taxes on the supply side. There were plenty of excellent answers and many candidates achieved the top level.

(d)   Most candidates could explain accurately the difference between fixed and variable costs, although some did not relate to output.

(e) There was a wide range of answers to this part of the question. The weakest candidates failed to name any economies of scale and gave vague advantages to large firms. A lot mentioned lower costs, while failing to specify lower average costs. Better answers could explain various internal economies and some, in addition, pointed out the danger of diseconomies if the firms became too large. However, only the best answers applied economies to the car manufacturers in the question, e.g. buying brakes/tyres in bulk, risk-bearing by having different models, etc. Centres are reminded that rehearsed standard answers may not earn all the available marks.

Question 2

(a) **(i)** All of the candidates had some understanding of opportunity cost and most gave a definitive explanation of the term.

(ii) Most candidates stated that staying at school or sixth form was the opportunity cost.

(b) This part of the question concerned the effect of a minimum wage imposed in a market, so there would be an excess supply of 2500 cleaners. There was some confusion between demand and supply, and some candidates did not use the figures given in Fig. 2. Some candidates who did use the figures made errors, e.g. 1500 unemployed. However, there were a good number of wholly correct answers.

(c) Candidates were asked to evaluate whether a national minimum wage is good for the economy. A wide variety of answers was given. A misconception sometimes was that 'everyone would be paid the same.' Many candidates on this tier reached the highest level of the mark scheme. The best were able to give clear arguments for (including fairness and incentives to work) and against (including raised costs and likelihood of unemployment).

Question 3

The data was in the form of a news report about a factory closure.

(a) Candidates were asked for one advantage and one disadvantage to the UK economy of EU membership. Some ignored this and gave an advantage to Peugeot of moving overseas.

(b) Candidates were asked for three reasons for relocation to Slovakia. Sometimes there was some overlap or repetition but, overall, this part of the question was well answered. Candidates recognised lower labour costs, transport costs to the market, other costs such as rent and business rates, and so on.

(c) How would the factory closure affect the UK balance of payments? Most candidates achieved three or four marks for this part of the question, recognising lower exports and more imports. Some were unable to use proper terminology (e.g. increased deficit). The worst answers were from those candidates who did not recognise balance of payments at all and wrote instead of the government's budget.

(d) There were many good answers at the top of the mark range with regard to the effects on the local community. Nearly all candidates referred to unemployment and most explained some multiplier in reverse effects on other businesses and employment in the area. In addition, effects on house prices, social problems and external costs were frequently discussed.

(e) Candidates were asked to explain and evaluate three measures to reduce the unemployment. A small number of candidates did not understand the term 'measure' in this context. In addition, there were some inappropriate answers such as 'build another car factory'. Answers with regard to providing training schemes were very popular and were usually competent; recognising workers would have more skills and be more employable. Some candidates stated that occupational mobility would be improved. Subsidies, grants or tax cuts for firms which move to the area were popular proposals, as were measures to increase aggregate demand, such as general tax cuts or lower interest rates. A lot of candidates failed to find possible drawbacks to their proposed measures. Overall, this part of the question was quite well answered, although there was a very broad range of responses.

Question 4

Two pie charts showed revenue and expenditure of the UK government.

(a) Most candidates correctly calculated the budget balance. A few missed the fact it was a deficit. A small number of responses included an arithmetic error.

(b) Most candidates could explain why net pay is less than gross pay. A surprising number, however, seemed to think that council tax is deducted from pay. Some reversed the meanings of gross and net pay.

(c) Explanations of a merit good varied widely in quality. Some candidates confused features with those of public goods. The best candidates explained why it would be under-consumed without government provision. The vast majority of candidates correctly identified a merit good; usually health or education.

(d) Should direct or indirect taxes be used for extra government spending? This brought a wide range of responses and the overall standard tended to be high on this tier. Some candidates thought that there should be a strong link between using the services and paying the taxes. A common error was to state that everyone pays direct taxes, so all contribute. The best answers gave clear arguments both for and against each type of tax. Many candidates used terms such as progressive and regressive and showed that they understood them. Good answers referred to issues such as equity, redistribution, incentives, consumption of demerit goods and choice.

1985/04 Paper 4 (Case Study Paper) Higher Tier

General Comments

On the whole, candidates were well prepared for this examination paper showing a good knowledge and understanding of the case study. Candidates had a good understanding of the economic issues involved and a large number were able to use economic terminology throughout their answers. The standard of answer has greatly increased this year with a large number of candidates using technical terminology such as 'externalities', 'regressive taxation' and 'merit goods'. A large number of candidates were also able to discuss both sides of an argument, when required to do so by the question.

Comments on individual questions

Question 1

(a) Most candidates answered this part of the question well. Sometimes they gave a correct comparison without the use of figures from the case study, which denied them one mark.

(b) Generally a well answered part of the question. Candidates were able to give a two-sided argument. It was very pleasing to see more able candidates using technical terms such as 'externalities' and 'regressive taxation'. Weaker candidates were able to explain a number of benefits of charging motorists to drive in a congested area. However, they were unable to explain fully one or more costs and, therefore, only achieved a low Level 2 mark.

Question 2

(a) Most candidates correctly answered this part of the question. Some candidates who incorrectly answered the question could have gained some credit had they shown their working.

(b) Examiners marked this question using a level of response approach. This part of the question required candidates to discuss health provision by both the public and private sector. A large number of candidates were able to discuss reasons why the public sector should provide healthcare and also why the private sector should provide it. Weaker candidates only explained public or private provision and, therefore, only scored a Level 1 mark.

Question 3

(a) The majority of candidates gave the correct answer. Answers without a pound sign were rewarded. A minority of candidates missed out on both marks by giving an incorrect answer without any working.

(b) It was clear that most candidates were prepared for this part of the question and, therefore, scored full marks. Candidates missed out on marks by not labelling one or more of the following; axes, total revenue line, total cost line and break-even point. Weaker candidates struggled with choosing an appropriate scale, which then led to them missing marks due to inaccuracies.

(c) The majority of candidates correctly answered this part of the question. The own figure rule was applied to this part of the question. A few candidates gave a break-even cost/revenue rather than output.

(d) It was particularly pleasing to see the large number of candidates who were able to use the difficult technical term 'elastic demand', explain it and use it correctly in the context of the question. Weaker candidates did not answer the question set and, instead, explained that Jane should advertise more.

Question 4

This question was generally well answered. A few candidates transposed demand and supply curves or forgot to label axes and curves; therefore missing marks. Explanations differed greatly in quality. Some candidates simply stated that demand had moved or shifted, or that price had changed; this sort of approach scored no marks. Candidates must give the direction of the change – such as 'price has fallen' to gain a mark. The best candidates gave excellent explanations using technical terms to explain why an increase in interest rates would cause a shift leftwards of demand.

Question 5

(a) The majority of candidates performed well on this part of the question. Weaker candidates denied themselves marks by giving two answers which were the same, just different wording.

(b) Candidates gave a varied response to this part of the question. The best candidates were able to discuss how reduced interest rates would be good and bad for the UK economy. These candidates used Economic terminology such as 'demand-pull inflation'. Weaker candidates only gave good points and, therefore, scored lower marks.

Question 6

(a) Most candidates correctly identified that prices rose in the period between 2004 and 2006. Some candidates were able to use figures from the case study to back this up and, therefore, scored two marks.

(b) The majority of candidates correctly identified one cause of inflation. Candidates who explained cost-push inflation tended to get the higher marks. Weaker candidates identified that increased demand would cause inflation, but were unable to take the explanation any further.

(c) This part of the question produced a varied response. The best candidates were able to discuss a number of ways in which the Jackson family would be affected by inflation. The majority of candidates only explained how their standard of living would be affected. It was pleasing to see some candidates using knowledge from outside of the case study which had been in the news recently; for example, about public sector pay deals.

Question 7

(a) This part of the question produced a varied response. The majority of candidates were able to identify that the forces of demand and supply determined exchange rates. However, a large number did not take their ideas any further and, therefore, scored low marks. The best candidates were able to identify and explain a number of factors which determine exchange rates.

(b) A substantial number of candidates stated that September was the best month to go. However, weaker candidates were unable to get past a simple explanation like 'they get more euros from their pound' and, therefore, only achieved two marks. More able candidates used data from the case study and were able to explain that this meant the Jacksons could buy more goods and services. Some candidates stated May was the best month to go and, therefore, scored no marks.

Question 8

The majority of candidates scored highly on this question. It was pleasing to see that candidates had a good grasp of all the information in the case study and were able to apply their knowledge, supported by information from the case study. A large number of candidates were able to discuss reasons why the Jackson family might have been affected both positively and negatively. The best candidates used information other than interest rates and inflation. Some candidates used their own general knowledge to support their discussion. Weaker candidates simply trawled through the data - providing no discussion.

Grade Thresholds

General Certificate of Secondary Education
Economics (Specification Code 1985)
June 2008 Examination Series

Component Threshold Marks

Component	Max Mark	A	B	C	D	E	F	G
1	100	n/a	n/a	63	55	47	39	32
2	80	n/a	n/a	49	42	35	28	21
3	100	73	56	39	29	n/a	n/a	n/a
4	80	61	51	41	34	n/a	n/a	n/a

Specification Options

Foundation Tier

	Max Mark	A*	A	B	C	D	E	F	G
Overall Threshold Marks	200	n/a	n/a	n/a	123	106	90	74	58
Percentage in Grade	-	n/a	n/a	n/a	23.1	24.4	23.4	14.9	7.8
Cumulative Percentage in Grade	-	n/a	n/a	n/a	23.1	47.5	70.9	85.8	93.6

The total entry for the examination was 293

Higher Tier

	Max Mark	A*	A	B	C	D	E	F	G
Overall Threshold Marks	200	168	146	118	90	72	63	n/a	n/a
Percentage in Grade	-	8.7	20.2	36.2	21.7	9	2.1	n/a	n/a
Cumulative Percentage in Grade	-	8.7	28.9	65.1	86.8	95.8	97.9	n/a	n/a

The total entry for the examination was 1041

Overall

	A*	A	B	C	D	E	F	G
Percentage in Grade	6.8	15.9	28.4	22	12.3	6.7	3.2	1.7
Cumulative Percentage in Grade	6.8	22.7	51.1	73.1	85.4	92.1	95.3	97.0

The total entry for the examination was 1334

Statistics are correct at the time of publication.

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