

## **GCSE**

### **Economics**

General Certificate of Secondary Education **J320**

## **OCR Report to Centres June 2017**

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This report on the examination provides information on the performance of candidates which it is hoped will be useful to teachers in their preparation of candidates for future examinations. It is intended to be constructive and informative and to promote better understanding of the specification content, of the operation of the scheme of assessment and of the application of assessment criteria.

Reports should be read in conjunction with the published question papers and mark schemes for the examination.

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## General Certificate of Secondary Education

### Economics (J320)

#### OCR REPORT TO CENTRES

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## A591 How the Market Works

### General Comments:

It was pleasing to see that most candidates were well prepared in terms of knowledge, understanding and application for this paper across the specification with a large number able to integrate learning from the other units into their answers.

The only exception appeared to be when it came to 'product market'. It is important that candidates are fully aware of all elements of the specification. Over the life time of the specification centres can expect all elements to be tested at some time, although some areas are likely to be tested more frequently.

While many candidates now understand that to reach Level 3 on part (d) of each question requires them to offer and use analysis which on this paper may involve: supply and demand diagrams; and/or good use of economic ideas, such as shift of the supply curve leading to lower price and greater quantity; and/or linking general ideas to specific economic outcomes, such as economies of scale resulting in lower average costs, too many are still not offering these types of analysis. Centres, also, should continue to emphasise that a summary of previous points is not an evaluation/discussion and will not allow L4 to be accessed.

Centres, again, are advised to ensure that candidates:

- Carefully read the stimulus material at the start of each question as there was evidence that some had not and therefore made incorrect assumptions leading to loss of possible marks
- Read and answer the question that is being asked rather than answering the question they would have preferred
- Think about what diagram might be relevant and then label it correctly
- Do not write below the bottom line of a page, but rather use the spare page at the back of the booklet and/or request extra pages

### Comments on Individual Questions:

#### Question No.1

- (a) Nearly all the candidates showed good knowledge of the meaning of opportunity cost although a few either inverted 'alternative' and 'choice' or chose incorrect words.
- (b) The vast majority of the candidates were able to answer this question correctly. Many identified 'higher wages' and 'increased productivity' as reasons for specialisation. Candidates that did poorly in this question identified the reason but gave a very vague explanation that failed to identify why the reason was an advantage of specialisation.
- (c) A large majority of candidates were able to calculate average revenue, though not all put a £ before the figure. Variable cost, however, proved more problematic mainly because candidates instead erroneously calculated average cost. It appeared that many failed to realise that fixed cost is cost when output is zero. The other incorrect response was to calculate profit in place of either average revenue or variable cost.
- (cii) The vast majority of candidates gained both marks. Those who did not gave the figures for the profit, which was worth one mark, but failed to actually compare. A few produced mysterious calculations which led to incorrect comparisons.

- (d) Nearly all the candidates knew what a monopoly is with many using the 25% definition, although some assumed an absolute monopoly. Either approach was accepted. The best answers distinguished the costs and benefits both to the firm and to its consumers, while addressing ‘the extent to which’. Many of these answers focused on one or more of: economies and diseconomies of scale and their effects on average cost; price elasticity of supply and demand; and different markets, using elasticity. The idea of short and long run also featured in many of the better responses. Better candidates were able to offer some analysis, in terms of ideas previously mentioned, but too often either did not provide any evaluation and/or just produced a very brief summary which failed to gain them more credit. Weaker answers provided descriptive answers in terms of higher prices, greater profits, types of economies of scale, etc.

#### Question No.2

- (a) Nearly all the candidates were able to make a good attempt at explaining the meaning of ‘productivity’ with most doing so in terms of the output of a worker in a given period of time.
- (b) This question consisted of two parts. The first asked candidates to ‘explain one key feature of a market economy’ and the second of a ‘mixed economy’. In both cases, most candidates were able to gain one mark for a basic statement, but fewer candidates gained the second mark because they did not address ‘explain’. This was especially the case in part (ii). A number of candidates seemed confused by the term market economy and instead wrote about either a mixed or a command economy.
- (c) This question was divided into three parts. Good candidates were able to accurately plot and label both curves and then to give the correct answers of ‘increased’ and ‘decreased’ thus achieving full marks. Others could not plot accurately, while others failed to label the curves. In part (i) some candidates ignored the figures and drew their own supply curve. If this was labelled they could get one mark. In part (ii) some candidates shifted the curve to the left. This gained no credit, but ‘own figure rule’ was then applied for the final part. Unfortunately, a few candidates did not draw a second curve. In part (iii) although the great majority realised that general answers were being looked for, some candidates tried to give actual figures. While this was possible for the quantity, it was impossible for the price due to the scale used on the graph.
- (d) Some candidates were unclear as to exactly what was meant by the product market even though there was a clear idea given in the first sentence of the stimulus material. The better answers showed sound understanding of the term and sometimes differentiated it from the commodities market often through price elasticity of supply being more elastic. The key feature of these answers was that they offered analysis. Very few, however, addressed ‘to what extent’. Many candidates were able to describe some of the benefits and limitations of the product market often mentioning prices and profits, but failed to provide any analysis. Weaker candidates often confused product markets with markets in general or were able to give a few generalised statements or, in some cases, just ignored the question. .

#### Question No.3

- (a) Nearly all the candidates gained either one or two marks for this question. Many candidates either did not read the question properly or did not know the difference between ‘medium of exchange’ and just ‘money’ and, therefore, selected either options 1 or 2.
- (b) Most candidates were able to identify and explain diseconomies of scale with many showing sound knowledge of the 3Cs: communication; coordination; and control. The main

problems arose when candidates either misread the question and talked about external diseconomies or provided basically the same point twice.

- (c) (i) It was good to see that nearly all the candidates were able to gain at least one mark with the majority being awarded both. The best answers were those that both described what happened to the price of milk and then noted that the price at the end was lower than the one at the beginning. Another successful approach was to note that the fall in 2014-15 was very dramatic. Those who gained just one mark tended to trawl through the data rather than highlighting the trend.
- (c) (ii) This question elicited both a wide range of approaches and of quality in the answers. The best answers were those which explained that although the farmer would lose milk sales and revenue they would save on not having to buy in the milk. They then combined this with noting that there would be higher costs in the short run in terms of purchase of capital, training etc. but this would be offset by the revenue from selling the cheese and could lead in the longer run to higher profits. Other less successful answers, but still worth some credit, focused solely on the milk market or stated that revenue might rise or fall as would profits, but with no analysis.
- (d) Most candidates demonstrated an understanding of 'over-supply' often explaining how this could arise in terms of increased output due to subsidies. Better answers went on to look at demand factors such as the development of milk substitutes. The best responses were those which used either supply and demand analysis and/or price elasticity especially price elasticity of demand in relation to the over-supply and the consequent fall in price. Responses. It was disappointing that less than half the candidates seemed to realise that supply and demand analysis, as mentioned, would be relevant.

## A592 How the Economy Works

### General Comments:

It was pleasing to see that many candidates were well prepared in terms of knowledge, understanding and application across this part of the specification. Many candidates were able to demonstrate the skill of analysis within the higher tariff questions, and some in addition were able to demonstrate evaluation.

For this paper, basic knowledge of macroeconomics is very important as is the use of relevant information and correct terminology. Good answers showed an awareness of contemporary economics and used their own knowledge effectively.

It is important that the data which precedes each question is used accurately to answer those questions which directly refer to it. Many candidates demonstrated that they were able to do this, although some could have made greater use of the information to which they were referred.

Most candidates answer the specific question which is set, which is vital for success. This is particularly essential on higher tariff questions when candidates could write a prepared answer on the topic rather than a response to the specific question set. However, there were more than a few cases where candidates did choose to include material in their answers which was not required by the question. Here are three examples: 1 (c) asked about effects on the local community but many candidates wrote about the effect on the government's budget. 2(c) referred to changes in indirect taxes but some wrote about the direct tax changes. Question 3 (d) was clearly about supply side policies but some candidates also included fiscal and / or interest rate policies in their answers. Similarly, candidates must take account of the context in which the question was asked. In parts (c) and (d) especially, regurgitation of learnt knowledge without addressing the actual question is unlikely to be well rewarded. In fact, many candidates did provide clear analysis in answers to part (c) and (d) of the questions to gain high marks, and the overall analytical abilities of candidates was significant. To achieve the highest marks on the longer answers to part (d) questions, evaluation is required; and sometimes this was not present. Successful candidates in this regard demonstrated their ability to form judgements in a variety of economic situations. Further comments with regard to evaluation will be found in individual questions below.

Although the paper was aimed at the whole ability range, there was little evidence that candidates, as a whole, could not try and answer every question.

This was a good paper for differentiating a range of abilities and many of the better candidates showed considerable fluency of argument and advanced levels of understanding of macroeconomic principles.

A final general point – some candidates are not stating when they have used additional space or additional pages to extend answers (mostly to part d questions), and this does make it difficult for Examiners who are marking on computer screens; and do not find the continuation until later, having already recorded a mark for that question. A simple 'cont' or 'see p11' is all that is required.

### Comments on Individual Questions:

#### Question No. 1

The data was in the form of a brief news report about the closure of a steelworks. The question as a whole was answered well by candidates who mostly were familiar with the terms, concepts and issues which arose in this question.

1a There were five reasons given in the data for the closing of the steelworks and the great majority of candidates chose two of these for both the marks. There were a few, however, who ignored the 'reasons in Fig.1' request and suggested alternative reasons – which the question had not asked for.

1b Most candidates were able to gain marks on this question, although many candidates received two from the possible four marks as they did not consider the impact of cheaper imports and the lower sales domestically of UK steel. The clearest answers stated at the outset that exports would be dearer and imports cheaper. If they then stated that this would mean sales of UK steel would fall both overseas and in the UK, then that is all which was required.

1c Nearly all candidates started their answers by explaining that many workers will now be unemployed in the local community, sometimes specifying that this was structural or regional unemployment. Many continued by explaining that incomes and living standards would be reduced and that social problems may arise, Examiners often reading that increased crime was likely. Sometimes comments such as 'will have a bad effect on local businesses' were left vague and not related to employment etc. The more analytical answers explained the knock-on (multiplier in reverse) effects on the local community so that as employment and incomes fell in Redcar, local businesses would have less custom and may in turn have to lay off workers and indeed some may shut down. Other valid comments concerned the immobility of the former steel workers, the likelihood of people moving away and a fall in house prices, and the region becoming 'depressed.' A good number of responses diverged from the question by not relating to the local community and rather making reference to the economy in general like less tax revenue for the government, overall effect on government spending, lower aggregate demand and so on.

1d Just about all candidates were able to show knowledge of interest rates. However, there were a number of poor answers where candidates recommended higher interest rates and attempted to relate this to incentives to work. On the other hand, many answers were able to demonstrate analysis by arguing that lower interest rates meant people were less likely to save and/or more likely to borrow which would lead to more consumer spending and that this leads to an increase in output to satisfy the demand and so more workers taken on, therefore a reduction in unemployment. It was surprising how few referred to the effect on mortgage holders whose disposable incomes would rise. In practice, this is likely to be far more significant than the effect on savings decisions and yet was discussed very rarely in comparison with the savings argument. A common fault was that many were inclined to discuss inflation and how this might result in unemployment, which was not the focus of the question. Candidates with excellent analysis often found it difficult to provide relevant evaluation; those who did so performed very well on this question.

#### Question No. 2

The data showed some changes in direct and indirect taxes in the UK between 2009 and 2015.

2a This was a very simple numerical question asking for a calculation of a tax rise, the answer being £2.30. Although not asked for, many candidates felt the need to calculate a percentage change, thus wasting precious time in the exam room. Providing the monetary answer was somewhere on the page, they were awarded the marks.

2b Most candidates were able to identify four main areas of government spending. The most popular answers were as expected including social protection, health, education, and defence; also law and order / policing, debt interest, infrastructure, public transport were often seen. There were some cases of repetition, e.g. social security and benefits, and some vague answers, such as subsidies; but overall this was a very well answered question.

2c There were some weak responses to this question but on the whole it was answered very well. Most candidates recognized that the indirect taxes were regressive. They not only used this term, they accurately explained its meaning, which many candidates had failed to do in some previous examination sessions. Provided that candidates then went on to address the effect of the tax rises on the distribution of income, as the question specifically asked for, they had no trouble in reaching the top level having analysed the situation well.

2d Most candidates chose to explain the demand side effects of a reduction in income tax which led to a rise in disposable incomes, more consumer spending and increased revenue for firms. The question referred to the UK economy so it was pleasing that so many candidates explained how this could affect the macroeconomic variables of economic growth, employment and possible inflation. Some candidates took a different approach, explaining the supply side benefits of income tax cuts. Some combined both approaches. Many answers were analytical and reached at least level 3, while some went to level 4 by evaluating, for example, that extra incomes may be saved or spent abroad. Not many referred to the state of the economy at the time of the tax cut: inflation for example would be far more likely if the economy was at full capacity. A common feature of many answers was a discussion of a loss of government revenue and therefore a necessary cut in areas of government spending. This rather ignored the analysis of rising output and incomes (and therefore tax revenues) brought about by the expansionary nature of the tax cut.

### Question No. 3

The data was in the form of a bar chart showing rates of economic growth by quarters.

3a Nearly all candidates successfully identified the quarters of highest and lowest growth rates.

3bi Nearly all candidates knew that GDP was Gross Domestic Product.

3bii Weaker answers tended to talk vaguely about ‘the amount of money’ a country has. However, most knew what GDP is and tended to define it in terms of output. The clearer answers stated the value of the output of a country but Examiners were lenient by accepting amount of output and similar. Many also knew that GDP per capita was found by dividing by the population, although some suggested by the number of workers. A lot gained the third mark too by recognizing that GDP per capita was an average per head of population.

3c Candidates found this a particularly challenging question and the quality of responses was very disappointing. It could be argued that Centres should work on data interpretation as figures such as those presented are at the core of any economic analysis. Candidates could have used the information in Fig.3 (to which the question directed them) much more successfully. Most did achieve level 2 by explaining that in the years of rising growth rates, more workers would be required to produce the extra output. Most, however, failed to analyse the effects of the period of slower growth correctly, instead arguing that output would fall and unemployment would rise. It is a cause for concern when so many interpret a fall in the growth rate (which remains positive) as a fall in output.

3d This question on supply side policies was generally well answered on the whole although evaluation was often lacking. Weaker answers suggested methods which were not actual policies such as ‘investment in capital.’ Please note that Examiners are reluctant to consider

'subsidies' as a supply side measure, although these were often suggested. However, education and training were widely recognised as supply side policies and usually well explained in raising the skill levels / quality of human capital and productivity of the workforce. Cuts in personal and corporate direct taxes were also popular suggestions, arguing that the incentive to work or invest was increased, although some did tend to diverge into demand side analysis which was not relevant here. Cuts to benefits / job seekers allowance were also frequently suggested. Long time lags associated with some measures were often cited but evaluation was often not developed.

## A593 The UK Economy and Globalisation

### General Comments:

The overall performance on this paper seems to have been slightly better than previous sessions.

Candidates used their knowledge and skills appropriately to respond to the questions that required an understanding of data; calculations using the data provided; an understanding of the balance of trade and how to reduce a deficit; the effects of falling exchange rates; the link between productivity, competitiveness and education and training; the costs and benefits of multinational corporations; and the effects of a fall in the rate of China's economic growth rate.

In contrast, candidates did not seem to have the knowledge or skills required to respond to the questions that required an understanding as to how to compare data items over time; an understanding of absolute advantage; the operation of markets; and the importance of improving productivity in the UK.

The stimulus material appeared to have been covered comprehensively by most candidates and, as a result, there was lots of good reference to aspects of the data in answers to a wide range of different questions. However, it is important to stress that the stimulus material is provided to stimulate consideration and discussion of a range of relevant topics. It is not presented as a body of evidence to support any set of economic theories or chains of causation. For example, the data in Fig. 11 is a cross-section of nine countries only and cannot 'prove' any links between education levels and GDP per capita. However, it does raise some issues for consideration and it would be expected that this might be used in classroom discussion to think about what else might contribute towards higher levels of GDP per capita in some countries than others.

The content and accessibility of the data in the stimulus material seems to have contributed to an overall improvement in the quality of responses to the essay-style questions and, in particular, the final question on the exam paper. It has been commented on in previous reports that for the final question, candidates must refer to economic data to access marks in Levels 3 and 4 and it was pleasing to see more evidence of that happening this year. Many candidates used evidence relating to Zambia and/or Australia and their relative dependence on China and the demand for copper and other commodities to construct very detailed answers, which often contained good levels of evaluation.

It was disappointing to read a small minority of scripts that failed to even attempt most, if not all, of the essay-style questions and others as well. However, this was quite infrequent. Rather, this year, there appeared to be more evidence that some candidates seemed to struggle with the time constraints for this examination.

Where candidates have continued their answer at the back of the answer booklet and, where necessary, on additional sheets, it is imperative that they indicate clearly as to which question is being continued by, for example, writing 'Qn. 3(e)'. With on-screen marking, it is not always easy to find where candidates have continued their answers unless they make this abundantly clear – 'see back' or 'continued at back' is enough.

While there were many good examples of evaluation based on a logical reasoned argument or insightful evaluative comments, it is still too common to read well developed answers that end with a bland statement that begins with 'In conclusion..' or states 'I believe that the costs outweigh the benefits ..' or 'The advantages are greater than the disadvantages ..'. It is important

to remember that evaluation can only be rewarded if it is based upon successful demonstration of the skill of analysis in a logical chain of reasoning.

Candidate performance could be markedly improved through:

- The accurate use of economic vocabulary, e.g. understanding the difference between a budget deficit and a trade deficit and using the terms appropriately.
- The ability to interpret and make accurate comparisons of economic data.
- The use of accurately drawn diagrams.
- The willingness to question, discuss and analyse data provided within the stimulus material.
- A well-developed ability to analyse accurately through a logical chain of reasoning.
- An ability to evaluate issues that have been analysed successfully.

### Comments on Individual Questions:

Question No.

Q.1(a)(i) The great majority of candidates identified either Brazil or Indonesia. However, some candidates did not read the question and identified India.

Q.1(a)(ii) The great majority of candidates identified the United Kingdom.

Q.1(b) The great majority of candidates provided the correct answer of Gross Domestic Product. However, some answers were seen that stated 'Growth Domestic Product' or 'Gross Domestic Production' or 'Gross Domestic Produce'.

Q.2 From a table containing six options, candidates were required to select the three correct statements as they related to Fig. 2 in the pre-released stimulus material. This was answered well, as most candidates selected the three correct statements.

Q.3(a) The great majority correctly calculated China's balance of trade in goods with South Korea in 2014 at a deficit of \$89,884 million. There were a few arithmetic errors, usually by subtracting exports from imports and some candidates selected the wrong data for their calculation. As always, where appropriate, examiners applied the Own Figure Rule when marking this question. While it was not penalised, many candidates failed to recognise that the figures were in 'millions of US dollars'.

Q.3(b) Using information from Figs. 3 and 4 in the stimulus material, candidates were required to calculate and compare the balance of trade in goods with the United States for both China and India in 2014. There was one mark for each correct calculation and up to two marks for valid points of comparison, such as that both China and India had a balance of trade surplus with the United States and that China's surplus was bigger than that of India. While the calculations were often correct, it was less common to read answers that made good points of comparison. The most common reasons for a loss of marks were: incorrect calculations; the choice of data from another country and/or another year in Figs. 3 and 4; and insufficient comparison.

Q.3(c) Candidates were required to evaluate one protectionist method and one other method that a government could use to reduce a balance of trade deficit. It was disappointing to see that some candidates did not even attempt this question and there was evidence that some weaker candidates did not read the question fully as they answered by referring to two protectionist methods. In addition, there was confusion in some candidates' answers between volumes and values of imports and exports. However, there were some very good answers, which analysed the use of the two methods chosen and were then able to evaluate either one or both methods. The most common methods of protectionism chosen were tariffs or quotas, while the most

common other methods were the use of monetary variables such as interest rates and/or exchange rates, education & training or fiscal policy. Evaluation often centred around the issue of retaliation for protectionist methods and time lags for training and education. There was also some very good evaluation that compared the two methods selected in the candidate's answer.

Q.4(a) Candidates were required to state and explain two benefits of an absolute advantage to Zambia. Overall, this question was answered quite poorly with a marked difference between stronger and weaker candidates. Examiners were looking for answers that focused on lower average costs of production, opportunities for specialisation, lower prices, levels of efficiency, effects on prices, effects on volume of exports and/or export earnings. However, it was common to read answers that stated that an absolute advantage would increase employment, GDP, economic growth without any relevant explanation as to how this might link with an absolute advantage. If we consider the case of Zambia recently, it is apparent that having an absolute advantage has not protected them from rising unemployment, falling GDP and recession.

Q.4(b) Candidates were required to use Figs. 5 and 6 of the pre-release stimulus material to compare the trends in Zambian exports to the UK and China between 2000 and 2014. Answers to questions like this require specific comparators, such as 'higher', 'lower', 'larger', 'smaller', 'less than' or 'more than', or terms such as 'whereas', 'however' or 'while' to allow accurate comparisons to be made. Overall, this was poorly answered as many candidates were unable to make accurate statements that compared the positions of the UK and China. Many candidates simply described and/or quoted the data – it was not possible to reward either approach. Good answers could identify that the importance of the UK to Zambia has fallen while the importance of China has increased and were then rewarded for correct use of suitable data of values of exports and rankings over time to illustrate such comparisons.

Q.4(c)(i) Using a pre-printed supply and demand diagram starting with an equilibrium position, candidates were required to consider Fig. 7 and to add a range of items to indicate what happened in the global market for copper between 2011 and 2012. Many candidates scored full marks on this question. The most common reasons for a loss of marks being: an incorrect shift of demand to the right; a shift of supply to the left or to the right; a failure to label the new demand curve and/or the original equilibrium and/or the new equilibrium.

Q.4(c)(ii) Candidates were required to use Fig. 7 to explain the effects of the changes in the demand and supply of copper between 2012 and 2014 on the market for copper. Unfortunately, weaker candidates did not read the question properly and thought that they were required to explain the changes that had been drawn in the diagram for Q.4(c)(i). Also, it was disappointing to read answers that confused a market shortage and market surplus. However, many could identify that there was a market surplus between 2012 and 2014. Some candidates were then able to go on to state that this is likely to have led the price of copper to fall. However, only a very few candidates could identify that this was due to the demand for copper rising at a slower rate than the rise in the supply.

Q.4(d) Candidates were reminded that the stimulus material stated that 'Zambia's currency had fallen by 45% in the past year' and were required to evaluate the likely impact of the falling value of Zambia's currency on its balance of trade. Most candidates could explain the effect of such a currency depreciation on the prices and quantities of Zambian exports and imports. However, a significant number of candidates then went on to state that increased demand for cheaper exports and decreased demand for more expensive imports would improve a balance of trade deficit or create a balance of trade surplus without considering that the issue is not the volumes of imports and exports, but their values. And, to be able to assess this, requires a consideration of the relative price elasticities of demand for Zambian imports and exports. However, where this was considered, there were some very good answers produced with good evaluation referring to issues such as the overall size of the fall in demand for copper from China and that, therefore, a rise in demand for Zambian exports of copper due to a falling currency is likely to be relatively insignificant. Some candidates wrote at length about the potential effects of the changes in

prices and/or quantities of Zambian imports and exports on issues such as employment, standards of living, economic growth and inflation. Such issues, however, were not rewarded unless they were related to the specific aspect in the question, i.e. Zambia's balance of trade.

Q.4(e) Fig. 9 in the stimulus material shows the average annual prices of four selected commodities between 1990 and 2014. Candidates were required to refer to Fig. 9 and to state two similar features of the prices of **all four** commodities between 1990 and 2014. Some candidates failed to interpret the y axis correctly and so did not read the information in Fig. 9 accurately. For example, many stated that the prices of all four commodities fell in 2009, when they fell in 2008. While others failed to look at the data carefully enough. For example, they stated that all the prices were falling in 2012, when only three of them were.

Q.5(a) Candidates were required to explain one reason why it is important for the UK to improve its productivity. While many candidates could explain how to improve productivity or possible benefits from improved productivity, it was quite apparent that many failed to pick up on the significance within the question of the phrase 'why it is important'. As a result, very few candidates scored full marks. Where it was recognised, candidates successfully went on to explain the need for improvements in the UK's balance of payments or the need to improve UK living standards or to catch up our G7 rivals.

Q.5(b) Candidates were required to state and explain one factor that influences an economy's competitiveness, other than productivity and investment in education and training. Most candidates could state a factor, but could not then link the factor to competitiveness, which is an international issue of one economy relative to others. The best answers drew on a good understanding of factors such as differences in costs of production and their effects on export and import prices.

Q.5(c) Candidates were required to evaluate the importance to an economy of the government investing more in education and training. Many candidates could explain the likely benefits of education and training and to analyse potential impacts such as increased economic growth, higher standards of living, improved competitiveness and improved trade balances. However, just as with Q.5(a), most candidates failed to pick up on the significance within the question of the phrase 'the importance'. In addition, some candidates wrote at length about the data in Fig. 11 of the stimulus material and drew a wide range of spurious conclusions based on a limited sample of nine countries, which they claimed 'proved' that higher education completion levels meant higher GDP per capita. It must be remembered that the stimulus material is provided to stimulate discussion and enquiry around topics within economics. Nevertheless, there were some very good answers that evaluated the importance of education and training by considering what it is meant to achieve and comparing it to other ways of achieving the same outcome, but in a different manner and with different implications.

Q.6(a) From a table containing three options, candidates were required to select the one correct statement as to the meaning of a multinational company. This was answered well as most candidates selected the correct statement.

Q.6(b) Candidates were required to give reasons as to whether they agreed with the statement that the costs of multinationals to host countries exceeded the benefits. Fig. 13 in the stimulus material offered a range of possible costs and benefits of MNCs and, as a result, most candidates could identify and explain several relevant costs and benefits. Better answers then went on to analyse potential positive and negative impacts for host countries relating to areas such as improved infrastructure leading to less congestion and improved standards of living or higher levels of output leading to increased levels of environmental pollution and lower life expectancy. However, many good analytical answers were unable to reach any form of evaluation and simply ended with a reference to the costs outweighing the benefits or vice versa, but without any reasoning as to how this judgement was arrived at. Or, if there was an attempt at any reasoning, too often it involved a repetition of issues that had already been stated within the

main body of the candidate's answer. Some weaker candidates considered the costs and benefits of MNCs to their home country.

Q.7 Using information in the stimulus material and their own knowledge of economics, candidates were required to evaluate the extent to which a fall in China's rate of economic growth will affect the economies of other countries. To access marks above Level 2 in the mark scheme, candidates had to make use of any data from the stimulus material. It was evident that many candidates were well prepared for this question and so could demonstrate some good understanding of a range of issues that arise from China's rate of economic growth falling. It was pleasing to read many answers that made very good use of the stimulus material to reach evaluative conclusions, which were based on sound analysis of a range of issues such as the volume of demand that China generates for raw materials and primary commodities and how this can seriously affect countries like Zambia and Australia in terms of employment, currency values, terms of trade and economic growth. It should be noted, however, that the falling rate of economic growth in China is partly a response to falling demand in the global economy. It was quite common to read candidates' answers that were based on China going into recession. Whereas the reality is that China's economy has simply slowed down, but is still growing faster than many developed economies. This misunderstanding gave rise to a host of economic arguments and discussions that could not be supported, such as the impact of less output in China and how this would affect the ability of other countries to import Chinese products and the prices of such products.

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