

GCSE

Economics

General Certificate of Secondary Education **J320**

OCR Report to Centres June 2016

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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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CONTENTS

General Certificate of Secondary Education

Economics (J320)

OCR REPORT TO CENTRES

Content	Page
A591 How the Market Works	4
A592 How the Economy Works	7
A593 The UK Economy and Globalisation	11

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.

While many candidates now understand that to reach Level 4 on part (d) of each question requires them to use their analysis to provide a supported answer, it is disappointing to see too many candidates just briefly summarising their previous points.

Centres 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:

- 1(a) Although the vast majority of candidates correctly identified the first and third options as being those which were needed, too many only chose one response even though two were required by the question.
- (b) The best answers clearly focused their responses on Karl and Emma, or Letterfast, and whether to specialise in collecting and delivering parcels or letters, especially in relation to the basic economic problem/scarcity of resources, opportunity cost, their personal preferences and the availability of capital. Other candidates produced good general answers, but failed to apply it as requested 'explain why they had to make this decision'. Some candidates, however, did not realise that it was a question of either letters or parcels and wrote about both.
- (c) Those candidates who answered in terms of higher prices, lower quality or less choice usually produced very good responses. Unfortunately there were several candidates who wrote about disadvantages to the firm rather than to the consumers and thus gained no credit.
- (d) A large number of candidates restricted themselves to Level 2 by just considering the benefits of a competitive market. Better answers offered some disadvantages such as shoe leather costs or consumer confusion or developed the benefits through analysis such as standard of living or lower prices making their money go further. Too many of these, however, failed to provide a supported conclusion although there were a number of excellent answers. Some candidates persist in stating that small firms do not get economies of scale instead of correctly asserting that their economies will be more limited. At the lower end were those who ignored the question and wrote about the benefits to Letterfast.

- 2(a) (i) The majority of candidates stated that honey was a secondary sector product however, due to the nature of the case study the correct answer has to be primary. This is where the need to read the full case study was very important.
- (ii) Nearly all the candidates gained the one mark available by referring to ‘willing’, ‘able’ or ‘want’ with many combining two or more of these ideas.
- (b) (i) The vast majority were able to gain both marks although some failed to show the ‘£’ sign and only achieved one mark. A few either invented their own figures or clearly did not know how to calculate profit.
- (ii) Most gained one mark by recognising that demand would rise. The better candidates were able to go beyond this by explaining that if demand was elastic, though this did not need to be explicitly stated, it would rise at a greater rate than price fell.
- (c) (i) Most candidates could offer either a correct definition of price elasticity of supply or give the correct equation. Those who lacked sufficient accuracy often gained half marks. Some, however, wrote in terms of demand or got the relationship round the wrong way.
- (ii) Although most candidates were able to draw a correct supply curve, some forgot to label their curve, while others drew a downward sloping curve. If this was correctly labelled a mark was available. A few however drew a demand curve.
- (iii) Candidates who used their curve to state what happened to price and quantity supplied when demand increased gained full marks. There were some candidates who ignored their diagram or only answered in terms of either price or quantity change.
- (d) The best candidates were able to explain a number of economies of scale and to link these to falling average costs. They then proceeded to explain diseconomies of scale linking these to rising average costs. Finally, they drew a supported conclusion. Others were able to reach Level 3 by identifying falling and/or rising average costs and by explaining some economies and/or diseconomies of scale e.g. bulk buying, risk-bearing, loss of control and poor communications. Weaker candidates either did not seem to know any economies of scale, but wrote only in terms of more profit etc and/or wrote about lower costs and not lower average costs. Some candidates drew average cost curves, but failed to label them or to label them correctly.
- 3(a) A large majority of candidates completed the sentence correctly so that it read: “The basic economic problem occurs when resources are scarce, but wants are unlimited”. Some chose the correct words, but inserted them incorrectly. Others offered one correct and one incorrect word from those offered. A few, however, chose words which were not in the list.
- (b)(i) It was good to see that the majority of candidates did know what gross and net income were, although some confused these terms with nominal and real income. The best candidates could not only define the key terms, but also provided examples of the deductions taken from income showing excellent knowledge, although this was not required to gain both marks.
- (ii) Again there was confusion with the previous pair of terms. Indeed, a few candidates crossed out the correct answer to part (i) and then wrote it in this part thus gaining no marks for either. Nevertheless, a small majority of candidates did know the terms with a few even providing accurate calculations, again good to see, but not needed.

- (c) There were some good answers to this question explaining how the productivity of a workforce could be increased through specialisation and training, leading to workers becoming more efficient by being able to perform tasks both better and quicker. To gain full marks candidates did need to assess both training and specialisation and not to run them together. Weaker answers only briefly explained both or only one aspect while at the bottom were those who concentrated on quality rather than productivity.
- (d) This question attracted a wide variety of responses. At the top were those who could explain the two positions and could then give a supported judgement. These answers included those who could explain that if specialised labour was scarce, then all firms would have to pay high wages so that Sarah would still be able to be price competitive. A major weakness throughout was that relatively few candidates used supply and demand analysis to support their answers. Candidates who could explain that Sarah was worried about more firms entering the market driving down the prices she could charge and possibly reducing her income, while Henry was looking at increased demand for chefs gained Level 3. Many candidates, however, only explained one of these, usually Sarah. At the bottom were those answers which ignored wages and instead focused on a competitive market. These answers were able to gain Level 1.

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.

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. There was some evidence that some candidates were prepared for an inequalities question and were determined to give an answer on distribution of income which resulted in no marks. In addition, question 1(c) specifically asked for causes other than government policies, so prepared answers using fiscal and monetary policy went unrewarded. 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. For example, when the question is about reducing a direct tax as in Q1c, the answer should not be about reducing government spending as well. In fact, many candidates did provide clear analysis in answers to parts (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 only sometimes was this 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. There were, unfortunately, a few weak candidates who did not attempt all questions. There was rarely evidence of candidates running out of time.

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 – candidates are often 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:

- 1(a) (i) The great majority of candidates could identify Gross Domestic Product.
- (ii) Most candidates read the graph correctly to identify that 2009 had the lowest rate of economic growth.
- (b) Most recognised that GDP was used to measure economic growth. Many defined GDP as part of their answer. In these cases, while some stated the ‘amount’ of goods and services produced, more careful candidates referred to the ‘value’ of output. Good answers stated specifically that it was the percentage change in GDP (from year to year) which was the economic growth rate. Many candidates gave unnecessary details regarding GDP per capita, which was not required by this question.
- (c) Candidates were asked to explain two possible causes of economic growth, other than government policies. There were some who ignored this and explained policies anyway and so went unrewarded, although these were relatively few. Other weak candidates gave answers which referred to growth of a firm, such as specialising. Some named valid causes without fully developing their answers relying instead on repeating that the suggested cause would raise growth without clearly stating why. The better answers did explain this. A rise in total demand (which could have been brought about in a number of ways) was an acceptable answer, and quite common. Most candidates, however, chose supply-side factors of which the mark scheme listed a few. The more popular of these included a rise in the working population, possibly through immigration; more training and education of the workforce which raised the quality of the workforce / human capital; the discovery and exploitation of a natural resource; investment in capital; and technological advances.
- (d) This asked how effective a reduction in income tax would be in encouraging economic growth. It was answered well on the whole although there was a tendency from too many candidates to wander from the question when they assumed it would also have to mean a reduction in government spending, and discussed this also. Most answers approached the question from a demand-side viewpoint, and explained how disposable incomes and spending would rise. The more analytical answers explained how the multiplier effect would lead to economic growth. Many stated that the tax cut could lead to demand-pull inflation, while the more evaluative answers discussed when this would most likely occur, particularly if the economy was at full capacity. Other evaluative answers discussed the importance of how consumers would react to their increased disposable incomes, considering whether it would be saved or spent on imports. Fewer candidates discussed possible supply-side consequences of the tax cut, although there were plenty who did so. They correctly argued that it would provide an incentive to work and raise the capacity for economic growth. It was, however, relatively rare for a candidate to conclude that the income tax cut could be very effective as it works on both the demand and supply sides of the economy.
- 2(a) The great majority correctly calculated consumption at 55.1 billion cigarettes. There were a few arithmetic errors, some subtracted instead of added the figures, and a few candidates omitted the ‘billions’ from their answer.
- (b) (i) The term ‘negative externalities’ was familiar to most candidates who received both marks. Those who received one mark only either failed to state that the effect was adverse, or failed to state that it was on third parties. Some candidates gave examples, unnecessary as this was specifically asked for in part (ii).

- (ii) Most were able to give two negative externalities of smoking, with passive smoking, air pollution, increased burden on the NHS and litter all being popular. The most common error was to give a cost which was not external such as lung cancer.
- (c) Candidates were asked to use the concept of price elasticity of demand to analyse whether an increase in the tax on cigarettes would be effective. Perhaps the main criticism from examiners was a lack of a precise definition of price inelastic demand within answers.

Nevertheless, this was answered very well indeed overall, with many reaching level three, reflecting their ability to analyse correctly. Many candidates were able to argue that it would not be very effective as demand was price inelastic for this habit forming good; and they were able to demonstrate that they understood what price inelastic meant in terms of the effect on sales.

- (d) This concerned the effectiveness of two policies to reduce cigarette consumption. Weak candidates gave a knee-jerk response; having seen the word ‘policies’ in the question, they plumped for monetary and fiscal, not appropriate here. Other poor suggestions included quotas and embargos. Most, however, were able to explain two appropriate policies. Banning smoking in public places, subsidising less harmful alternatives such as nicotine patches and e-cigarettes, and advertising / educating about the harmful effects of smoking were all popular suggestions. Banning cigarettes completely and raising the legal age for smoking were also suggested quite often. The quality of the discussion of these suggested policies varied widely, but the best answers were able to provide an evaluative response. For example, some candidates argued that a complete ban would be limited in effectiveness as unofficial markets were likely to develop.

3(a) Nearly all candidates identified ‘price’ and ‘imports.’

- (b) Although some weak candidates guessed at a measure such as ‘GDP’ or ‘claimant count’, most knew that the rate of inflation is measured by the Consumer Price Index. Many referred to the ‘basket of goods’ whose price is recorded; some were more detailed than others regarding how the ‘basket’ comes about. Weaker answers omitted to say that it was the prices of the items which were being monitored. On the other hand, some stronger candidates showed that they understood ‘weighting’ for the index. Better answers explained that the index reflected the percentage change in price of the selected goods and services.

- (c) Candidates were asked to assess the health of the economy in 2014 based on figures for four macroeconomic variables in 2003 and 2014. Nearly all recognised that the economy seemed to be in a healthier state in 2003. It was fairly straightforward for candidates to achieve 4 of the 6 marks, a brief accurate comment on each variable would have achieved this. Most did this, such as ‘the unemployment rate rose by 0.8%’, ‘the balance of payments deficit rose by £79.1 billion.’ Many good answers pointed out that inflation was in the target range in 2003 but not in 2014. There were two often repeated errors from weaker candidates which reflected a poor understanding of data such as that which was presented. A fall in the growth rate does not mean that output has fallen. A rise in the unemployment rate did not mean that there were less people working. Furthermore, some weak answers referred to the government having a deficit when the data clearly referred to the balance of payments current account. Nevertheless, the majority of candidates were in the 4 to 6 mark range.

- (d) This concerned conflicts of macroeconomic objectives when policies are used, and it brought about the full range of responses. Weak candidates seemed not to know the difference between policies and objectives, and sometimes suggested inappropriate objectives. Some took the view that this was a question about conflicting policies rather than objectives which resulted in confusing answers. The well organised candidates started by stating what the objectives are, and naming the policies which could be used. There were quite a lot of answers which recognised a conflict, usually between full employment and growth on the one hand and inflation and/or balance of payments on the other; but then failed to apply it to policies as asked for by the question. The mark scheme allowed these answers to be rewarded up to level 2. Many candidates did recognise that fiscal and interest rate policies which affected total demand in the economy were likely to meet with the conflict above, and were able to explain why. Some candidates argued that a rise in interest rates to control inflation could raise the exchange rate and harm the balance of payments. The most able candidates were able to build upon their analysis and go on to evaluate; and often this referred to the state of the economy, so inflation was more likely when expansionary policies were used if the economy was close to full capacity. Evaluation was sometimes with reference to supply-side policies. These were unfortunately ignored by many candidates. Where present in answers, the candidates often concluded that supply-side policies could be used and avoid conflict between the objectives.

A593 The UK Economy and Globalisation

General Comments:

The overall performance on this paper seemed to be roughly in line with 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 advantages and disadvantages of economic growth; an understanding of the benefits of inward investment; an understanding of the costs of poor infrastructure; an understanding of relative poverty; an understanding of opportunity cost; and an understanding of which countries are members of the EU and the Eurozone.

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 evaluation of the use of debt relief; an understanding of supply and demand diagrams and how to show the incomes of producers; a discussion of whether developing countries have benefited from the Fairtrade scheme; a discussion of the effects of rising prices of basic foodstuffs on the distribution of income; analysis of the effects of changes in exchange rates; and an evaluation of the case for the UK joining the Eurozone.

Many candidates showed a very good understanding of the stimulus material. It was apparent that teachers had explored many of the issues contained within the stimulus material in some depth and many candidates used this to inform their answers to good effect. This, combined with a good understanding of the specification for this unit, meant that some very good answers were seen, which allowed candidates to explore the relevant issues and to demonstrate their analytical and evaluative skills when considering them. It was noticeable that many candidates were trying to reach reasoned conclusions at the end of the longer essay-style questions. However, it is important to remember that evaluation can only be rewarded if it is based upon successful demonstration of the skill of analysis. In contrast, other candidates were unable to use economic terminology accurately or to express economic concepts clearly. All too regularly, many answers demonstrated some understanding of economic ideas and concepts, but they showed an inability to analyse the possible effects of issues contained within their answers in a logical line of reasoning.

Candidates are advised not to write below the bottom line provided for an answer, but rather to use the spare page at the back of the booklet. It is quite common for candidates to write quite lengthy answers to some of the questions, particularly to the higher mark questions such as 3(e), 4(c) and 6. However, there is not as strong a correlation between the length of an answer and the number of marks awarded as candidates might seem to imagine – the old adage of ‘quality before quantity’ might help some candidates to focus on the important aspects of the question and their answer to it. In addition, it is not clear why some centres issue additional sheets for candidates to continue their answers prior to the candidate using the additional space at the back of their answer booklet.

Finally, it is imperative that candidates indicate clearly when they have continued their answer at the back of the answer booklet and, where necessary, on additional sheets. 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. However, candidates must remember to identify which question is being continued in the relevant additional space by writing, for example, 3(e).

Candidate performance could be markedly improved through:

- The accurate use of economic vocabulary
- The ability to make accurate comparisons of economic data
- The use of accurately drawn diagrams
- A well-developed ability to analyse accurately through a logical line of reasoning.
- An ability to evaluate issues that have been analysed successfully.

Comments on Individual Questions:

- 1(a) From a table containing four options, candidates were required to select the two correct statements as they related to Fig. 1 in the pre-released stimulus material. This was answered well as the majority of candidates were able to select the two correct statements.
- (b) Candidates were required to compare two of the items within Fig. 1 of the pre-release stimulus material for a period of time that only covered some of the years shown, i.e. 2005 to 2011. Overall, this was poorly answered as many candidates were unable to make accurate statements that actually compared the growth of global real GDP with the growth of global exports of manufactures between 2005 and 2011. Many candidates simply described the data year by year for the period concerned or compared the two data items on a yearly basis – neither of which approach was rewardable. Good answers were able to identify that the trend for global real GDP and that for global exports of manufactures followed an identical pattern, but at different rates; or that global exports of manufactures fluctuated more than global real GDP and were then rewarded for correct use of data from Fig. 1 to illustrate any such correct comparisons.
- 2(a) From a table containing six options, candidates were required to select the three correct statements as they related to Fig. 2 in the stimulus material. This was answered well as the majority of candidates were able to select the three correct statements.
- (b) Using information from Fig. 2. in the stimulus material, candidates were required to calculate the predicted annual average real GDP growth rate of Ethiopia between 2014 and 2016. Most candidates scored full marks on this question. The most common reasons for a loss of marks were: the choice of data from another country in Fig. 2 and the choice of more or less years than the three required. However, there was some evidence that some weaker candidates were unaware as to how to calculate an average.
- (c)(i) Candidates were required to explain one advantage of a high rate of economic growth to a developing country such as Sierra Leone. Candidates could gain marks either by explaining how their chosen advantage could bring benefits or by explaining how their advantage arose. Common answers correctly referred to advantages such as improved living standards, increased taxation revenue for the government, increased investment or FDI, and increased employment/lower unemployment.
- (c)(ii) Candidates were required to explain one disadvantage of a high rate of economic growth to a developing country such as Sierra Leone. Once again, candidates could gain marks either by explaining how their chosen disadvantage could bring costs or by explaining how their disadvantage arose. Common answers correctly referred to disadvantages such as higher inflation, increased pollution, increased income inequalities, increased rural to urban migration or shortages of skilled labour or capital.
- 3(a) Candidates were required to explain two benefits of inward Chinese investment to developing countries. Many candidates were able to use their knowledge effectively to identify and explain benefits such as lower unemployment, new technology, improved

infrastructure and investment in human capital and how they were linked to inward Chinese investment. However, there were instances where candidates seemed to misunderstand the question as their answers referred to benefits to China or the Chinese economy. In addition, unfortunately, some candidates ignored the rubric in the question and provided answers that referred to economic growth.

- (b) Candidates were required to explain two costs of poor infrastructure to developing countries. Examiners were asked to be aware that candidates might illustrate their answers by referring to a variety of examples of infrastructure such as social infrastructure, e.g. schools and hospitals, or factories, as well as more traditional examples such as roads, railways, airports, docks, and electricity and communication networks. Many candidates were able to use their knowledge effectively to identify and explain costs such as decreased productivity, loss of exports, failure to attract foreign companies and lower life expectancy (as related to poor hospitals).
- (c) Candidates were required to demonstrate that they understood the meaning of the term 'relative poverty'. This was very well answered with most candidates able to explain clearly what the term means. A variety of possible responses could achieve full marks. Due to the fact that some textbooks used by schools and some international organisations vary over the precise numerical value to be used for this term, Examiners were instructed to allow any percentage value of average or median income.
- (d) Candidates were required to use the concept of opportunity cost to explain one effect on a developing economy of having a high debt burden. Most candidates were able to provide an appropriate illustration of opportunity cost such as: 'By paying interest on a high debt burden the government of a developing economy is unable to spend money on poverty-reducing measures such as education or health care'. However, in order to gain full marks, the mark scheme required that candidates demonstrate some understanding of the definition of opportunity cost, such as by referring to 'the loss of the next best alternative foregone when making a decision'. And even though candidates only had to show some understanding, this requirement meant that only a relatively small percentage of candidates scored full marks.
- (e) Candidates were required to discuss the extent to which debt relief can increase the rate of economic growth in developing countries. Due to the content of the stimulus material, many candidates were able to show their understanding of a range of possible issues for this question. However, there was evidence that some candidates did not fully understand what debt relief meant for the countries that have benefited from it. This included examples where some candidates referred to governments subsidising businesses as one benefit from debt relief, despite the stimulus material clearly stating that debt relief is tied to poverty-reducing expenditure.

There was a tendency for weaker candidates to focus exclusively on the stimulus material and some resorted to extensive copying out of sections from it. Such responses were likely to be limited to marks within Levels 1 or 2 on the mark scheme. Good answers were able to go well beyond this to analyse a range of possible implications of providing debt relief and were balanced across both positive and negative impacts. Examples of effective evaluation often focused upon the fact that debt relief has only been used with a very small number of some of the poorest countries in the world and that there might be other more suitable ways to achieve economic growth such as international aid, trade policies and/or domestic fiscal, monetary or supply-side policies.

- 4(a) Using information from Fig. 5. in the stimulus material, candidates were required to calculate the total amount spent on Fairtrade products in the UK in 2012. This question saw a wide range of answers, but many candidates scored full marks. The most common reasons for a loss of marks were: an incorrect calculation – often suggesting that as the

figure had increased by 14% to £1.78bn in 2013, the figure should be multiplied by 0.86 as opposed to the correct figure of 0.877, i.e. $1.00 - (14\% \text{ of } 1.00)$; the omission of 'billions' from the final answer; and/or the omission of the £ symbol to show that the answer was in UK pounds sterling and not some other currency.

- (b) Using a pre-printed supply and demand diagram starting with an equilibrium position, candidates were required to add a range of items to indicate what happens to the market for non-Fairtrade products when rising sales of Fairtrade products are considered. Only a minority of candidates scored full marks on this question with 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 and or to the right; a failure to label the new demand curve and/or the original equilibrium and/or the new equilibrium; or, most commonly, a failure to show the income (or revenue of the producers) before and after the change in demand.
- (c) Candidates were required to discuss whether or not developing countries have benefited from producing and selling Fairtrade products. Once again, there was a tendency for some of the weaker candidates to rely far too heavily upon the stimulus material and even resort to copying out significant portions of the information contained within it. However, good answers were able to consider a wide range of possible impacts of the Fairtrade scheme for developing countries and then attempted to weigh up the overall impact – often by referring to the fact that Fairtrade food sales in countries such as the UK are only a small proportion of the total amount spent on food. Nevertheless, for some small, agro-based developing economies these 'small' amounts might actually represent quite a sizeable proportion of their total GDP.

5(a)(i) Using information from Fig. 6 in the stimulus material, candidates were required to identify one country other than the UK which is a member of the European Union, but not a member of the Eurozone. This was answered well.

(a)(ii) Using information from Fig. 6 in the stimulus material, candidates were required to identify one country other than Germany, Italy, Spain and Lithuania which is a member of the Eurozone. This was answered well. However, unfortunately, some candidates ignored the rubric in the question and provided answers that included Germany, Italy, Spain or Lithuania.

(b) Candidates were required to discuss how rising prices of basic foodstuffs might affect the distribution of income in Lithuania. On the whole, this question was poorly answered with a significant number of candidates scoring very low or zero marks. Poor answers were largely focused upon issues concerned with inflation in Lithuania or the use of fiscal policy to redistribute income in countries such as Lithuania.

Good answers, on the other hand, clearly demonstrated an understanding that rising prices of basic foodstuffs will affect different income groups in different ways, i.e. the poorer people will be affected much more severely than the richer ones in Lithuania, and then went on to analyse how this would change the distribution of income. This will also depend upon whether their incomes change at all after the increase in the price of basic foodstuffs. For example, those on fixed incomes like pensions will be affected more severely than those workers in strong unions which can successfully negotiate a pay rise above the rate of food price inflation.

(c) Using information from Fig. 8. in the stimulus material, candidates were required to analyse how changes in the euro to dollar exchange rate might affect the competitiveness of French exports to the United States after May 2014. The relevant data clearly shows that the euro depreciated against the dollar after May 2014, so it was disappointing to read answers that were based upon the euro appreciating or reading answers that tried to cover both aspects and so wrote about if the euro depreciated and if it appreciated. Good

answers, however, gave an example of how the euro had fallen after May 2014 by some quoting relevant values and then clearly focused upon the immediate effects for France of a falling euro in terms of improving French export competitiveness. From this they went on to analyse how this was likely to lead to an increase in the sales volume of French goods and services to the United States, with some candidates going on to link this to price elasticity of demand to demonstrate how this could affect French export revenue. Or, alternatively, to consider how the depreciating euro might have consequences for import costs, which might then go on to reduce the competitiveness of some French exports with a high dollar-priced import content.

- 6 Using information in the stimulus material and their own knowledge of economics, candidates were required to evaluate the case for the UK joining the Eurozone. In order to access marks above Level 2 in the mark scheme, candidates had to make use of any data from the stimulus material and their answer had to relate to the UK.

It was evident that many candidates were well prepared for this question and so were able to demonstrate some good understanding of a range of costs and benefits as they might apply to the case of the UK if it were to join the Eurozone. Therefore, it was pleasing to see regular mention of benefits such as price transparency, reduced transactions costs and increased opportunities for trade and inward investment, alongside costs such as loss of independence over control of interest rates and exchange rate, conversion costs and problems of a poorly performing Eurozone. However, despite the inclusion of a number items of data within the stimulus material that could be referred to in support of economic issues being raised, once again it is disappointing to report that many candidates failed to address the question and did not use any case study information. The effect of this is to constrain the marks of such candidates – some of whom have scored highly elsewhere on the paper - to 50% or less of the marks available for this question. Nevertheless, there were some very good answers provided, which explored issues such as the performance of the Eurozone and referred to Fig. 2 to illustrate why the UK would be advised not to join.

Equally, many candidates referred to data in Figs. 7 and 8 to support relevant analysis and to help them to reach reasoned conclusions often by consideration of the loss of monetary independence and the importance of interest rates in the UK where we see such a high proportion of owner occupation and need for mortgages in the UK housing market and/or the issues relating to swapping the pound sterling for the euro at a time of poor performance in the Eurozone and a falling euro after May 2014.

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