

OCR Report to Centres

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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)

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Overview

It was pleasing to see that many candidates were well prepared in terms of knowledge, understanding and application across the specification. There were, however, some candidates who appeared to lack the necessary knowledge and were not adequately prepared for one or all of the papers. Using the evidence of the mean marks on the respective units, this suggests that the candidates have performed very similarly on A591 and A592, indicating that candidates are equally familiar with both microeconomic and macroeconomic concepts and principles. The overall level of performance on A593 was a little below that of the other two papers. A possible reason for this is that many candidates could have made a greater use of the data in the examination when writing their answers, especially on the higher tariff questions. This is true of all three papers, but is particularly crucial for unit A593. The general rule must be that when prompted to use the data in answering the question, it should be used.

To achieve a high mark it is essential that the candidates address the 'key word' such as 'explain' and 'discuss' and realise that these require different approaches. Not doing so may severely restrict the marks which can be gained. On high tariff questions, such as the part (d) questions on units A591 and A592, just adding a brief conclusion to some limited application, without any supporting analysis, is not a way of achieving the highest level.

Nevertheless, many candidates were able to demonstrate the skill of analysis within the higher tariff questions on all three papers. Evaluation was, however, often lacking, even among the more able candidates, and this is addressed in the unit reports which follow. Evaluation is especially important on A593 where it has a larger weighting in the assessment objectives. The comments on the individual papers and questions which follow are intended to help teachers to prepare their candidates for future papers.

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 and across the unit specification. A small number of candidates either appeared to lack the necessary knowledge or ignored the context in which the question was asked. The latter was a cause of some candidates gaining few marks.

There was quite a lot of evidence that the candidates were taking a holistic approach to their economics by using concepts met in the rest of the specification.

Although the paper was aimed at the entire ability range, there was little evidence that candidates, as a whole, could not attempt an answer to each and every question. There were a few occasions, however, when the evidence suggested a lack of basic knowledge. In a number of cases if the basic knowledge had been better, the candidates in question would have gained a much higher mark.

To achieve a high mark it is essential that the candidates address the 'key word' such as 'explain' and 'discuss' and realise that these require different approaches. On the part (d) questions, analysis can be demonstrated in a number of ways; one of which is correctly using clearly drawn diagrams; while another is to clearly follow through an economic train of thought. Centres are urged to help their candidates understand what is required in order to access Level 4. To gain the top marks candidates must offer a supported conclusion; often a promising answer was unable to achieve full marks as a summary, rather than a conclusion, was appended.

The vast majority of the candidates, who used the extra paper after the final question, indicated this in some way, thus helping both the examiner and themselves.

Comments on individual questions

Question 1

- (a) (i) The majority of the candidates understood that Triangle operated in the tertiary sector of the economy, but there were a number of candidates who chose either the primary sector or the secondary sector as their answer. It was pleasing to see that both here and in part (b)(i) that only a few candidates ticked more than one box.
- (ii) Most candidates recognised that a 'mixed economy' referred to the combination of public and private sectors, but some thought that the term referred to a mixture of primary, secondary and tertiary sectors; while a few confused it with command or free market economies.
- (b) (i) The majority of the candidates recognised that musical instruments represented the factor of production, capital.
- (ii) While the vast majority of the candidates selected 'price' and 'quantity', some transposed their position in the sentence. All of the four words were used and some candidates provided their own such as 'supply'. Candidates must understand that only the words given in the question paper may be utilised, as per the wording of the question.

- (c) (i) It was pleasing to see many candidates gain full marks in this part of the question, shifting the supply curve to the right and clearly labelling the new supply curve S^1 and the equilibriums w/w^1 and q/q^1 . A number of candidates tilted the new supply curve so it showed an increase at some prices and a decrease at others.
- (ii) The vast majority of the candidates gained full marks by correctly interpreting their diagram, even if the supply curve had been shifted in the wrong direction. A few candidates, however, were unable to interpret their diagram.
- (d) The best answers to this part of the question made good use of economic analysis especially the inelastic supply of skilled workers and how their greater productivity would lead to higher profits, lower average costs, etc. Some of these used a diagram to good effect in supporting their answer. Most candidates were able to offer some application, often in terms of education and training, but some deviated into issues of inequality.

Question 2

- (a) The majority of the candidates recognised that ‘twenty-five per cent’ needed to be written in the first space and ‘many buyers and sellers’ in the second space.
- (b) (i) The majority of the candidates arrived at the answer of 60p by dividing £3000 by £5000, although some incorrectly divided £5000 by £3000. Mathematical errors were rare.
- (ii) Most candidates were able to state one objective which a business might have, such as making a profit maximisation, breaking even, surviving or increasing market share. While many, then, went on to explain why a business might have a particular objective, some focused on what the objective meant.
- (c) The majority of the candidates demonstrated some knowledge and understanding of economies of scale which could be appropriately applied to a supermarket. The best answers explained how, for example, purchasing economies would lead to a lower buying price resulting in a lower average cost and did so with reference to supermarkets. Unfortunately, some candidates wrote about economies of scale in general, making no reference to a supermarket, while weaker responses included aspects of economics which were not examples of an economy of scale, or included very generic answers such as ‘internal’ and ‘external’.
- (d) Some candidates provided answers mentioning lower prices, higher quality and more choice with some going as far as more employment: this approach was seen as application. Few candidates, however, used Fig. 2 to mention the closure of the small businesses. Better answers tended to make use of ideas from other parts of the specification, such as the multiplier effect, to offer analysis. To access a high mark, however, candidates needed to ensure that they addressed the ‘to what extent’ element of the question.

Question 3

- (a) This was the first time that minimum price control had been examined and many candidates did not seem to understand it. These candidates often focused on revenue and compared £5 and £40 tickets. Others ignored the figures in Fig. 3. Some, however, did recognise that the effect of setting the minimum price would be to create a situation of excess supply, leading to 100 empty seats.
- (b) Most candidates scored at least three out of the four marks available on this part of the question, but often did not mention the actual gain at £25 of £3000. A few ignored the ‘explain’ key word, instead just providing the answer, thus only gaining one mark. There were some candidates who missed off noughts when using figures, thus sacrificing marks.

- (c)** The majority of the candidates recognised that prices would be likely to rise leading to a fall in the number of tickets sold. However, it appeared that some candidates had not read the question clearly as they explained the effects of introducing a subsidy, while others did not seem to understand that removing the subsidy would increase the costs of production necessitating a rise in the price of tickets. Most candidates understood that the closure of the local cinema would benefit the theatre, reducing the extent of competition and so leading to an increase in sales and, therefore, revenue. Only a small number of candidates drew any diagrams, but those who did generally made good use of them.
- (d)** Most candidates were able to consider the various advantages and disadvantages of employing specialists, but too many stopped at greater productivity as against boredom and higher wages. Better answers were able to offer analysis in terms of higher quality leading to greater demand for tickets and thus more revenue and higher profits and/or increased productivity resulting in more productions and lower average costs leading to higher profits. The best responses could then use this analysis to answer 'do the benefits... outweigh the costs', but others just offered a summary which could gain no credit.

A592 How the Economy Works

General comments

It was pleasing to see that the majority of the candidates appeared to be well prepared in terms of their knowledge and understanding of the economics contained within this unit, demonstrating the ability to apply these to the questions on the paper. A relatively small number of the candidates either appeared to lack the necessary knowledge or ignored the context in which the question was set. It is very important that the candidates address the actual question set, rather than the one they would have preferred or had prepared. Equally, candidates must realise that in parts (c) and (d), regurgitation of learnt knowledge without addressing the actual question is unlikely to be well rewarded. On these parts, especially, it is important to make good use of economic concepts and ideas so as to offer analysis. This was done well by many candidates, for example, on questions 1(c) and 1(d) where the answers introduced and explained the concepts of regressive and progressive taxation.

Overall, there was a very wide range of candidate ability. Although the paper was aimed at the entire ability range, there was little evidence that the candidates, as a whole, did not try to attempt each and every question. There were very few who gave no answer at all to some parts of the paper. Candidates' answers were, for the most part, compatible with the number of marks allocated to a question, so time was not wasted on lower tariff questions. Many candidates wished to extend their answers and used the extra pages at the end of the paper to do so, and most of these indicated this in some way, thus helping both the examiner and themselves.

The three questions within the paper discriminated well between the candidates, and to a similar extent. Thus, for example, higher performing candidates tended to score well on all three questions. Many candidates demonstrated their ability to analyse on the longer tariff questions. At the top end, there were some excellent scripts which reflected a thorough understanding of economic concepts and the ability to analyse and evaluate in a variety of economic situations.

Comments on individual questions

Question 1

The data was in the form of a brief report about increases in VAT and excise duties.

- (a) The great majority of the candidates were able to name value added tax, and recognised that VAT and excise duties are indirect taxes.
- (b) (i) Many candidates gave a definition of inflation (which was awarded one mark) but did not attempt to address what was meant by the *rate* of inflation.
- (b) (ii) Most candidates identified the Consumer Price Index (CPI) (and occasionally RPI) either through the abbreviation or writing it in full. However, in some cases the explanation was purely in terms of spending, rather than the changes in prices of goods/services in the weighted basket. There were, unfortunately, quite a few candidates who suggested inflation was measured using GDP figures.
- (c) This part of the question asked how changes in VAT and excise duties might affect the distribution of incomes. Most candidates realised that it would hit the poorest hardest. Many named the taxes as regressive (although quite a few mistook the term as 'recessive'), and gave an accurate explanation as to the regressive nature of the tax changes. If they did this, and also concluded that the income distribution would become more unequal/the income gap would widen, they achieved a Level 3 mark. Those who did not reach this level often did not address the question directly.

- (d) This part of the question concerned measures to reduce inequalities in the distribution of incomes. There were many general statements such as ‘the rich pay more’ when explaining income tax effects. Better answers, however, recognised income tax as a progressive tax and explained clearly what this meant. Also, the issue of benefits was generally treated in a vague way, although most candidates recognised that benefits would raise the incomes of poorer groups. Some of the best answers came from candidates who were able to evaluate the impact of higher taxes and/or higher benefits in terms of disincentives to work, as well as explaining how this affected inequality of income.

Question 2

The data was in the form of a graph showing UK growth rates, 2006-11.

- (a) Most candidates recognised 2008 as the year UK entered recession, and six quarters as the length of recession.
- (b) Candidates were asked to use the data to comment on how successful the UK was in achieving economic growth. They needed to be selective in how they used this data, but many simply trawled through the period and stated that in the quarters when GDP was negative growth was unsuccessful and when it was positive it was successful. Most answers were at this lower level. These answers lacked an overview – some candidates merely repeated what they had already written; others simply stated it was or was not successful without any justification. With such a long and deep recession during this period, it was surprising how many candidates concluded that the UK was relatively successful. Those candidates who achieved a higher standard were able to give an overview with a reasonable assessment of the extent of success.
- (c) Weaker responses to this part of the question part stated that, for example, as tax revenues would fall, spending would have to fall. Others argued that taxes would rise to fund extra spending. However, most candidates tended to follow one of two approaches, i.e. that recession leads to less tax revenue and more government spending; or that governments would seek to set deficit budgets, i.e. increase benefits/subsidies, etc. and reduce taxation in order to inject funding into the economy and start a multiplier effect. A lot of candidates did not recognise that negative economic growth was the cause and changes in ‘G’ and ‘T’ was the effect, and, hence, they took an expansionary fiscal policy approach. However, both approaches were rewarded. Occasionally candidates used both approaches within one answer.
- (d) This part of the question concerned the causes of growth. There was an extremely wide range of answers. Weaker responses either identified one or two causes or listed more without analysing their impact. Others stated that increased spending would lead to economic growth but did not identify individual factors which would stimulate spending. Some answers considered only demand-led growth, while others ignored demand and explained supply-side factors. The size of the workforce, education and training, new natural resources, investment and technological change all featured regularly in such answers. Candidates who understood the causes of growth usually reached Level 3. However, to reach Level 4 evaluation was required. Many responses did not identify which cause was likely to be the most important. For some candidates, just stating which cause they believed ‘best’ was considered an evaluative statement. A few candidates made the important evaluative point that increased demand did not, in itself, result in growth but could cause inflation if supply did not expand. Other evaluative judgements concerned time lags of supply-side policies and leakages when expansionary policies are used.

Question 3

The bar chart showed regional unemployment rates in the UK.

- (a) (i) The great majority of responses identified the North East as having the highest rate and the South East as having the lowest. Those candidates who got this part of the question incorrect misread the question and referred to other regions, or quoted rates and/or did not name the regions.
- (a) (ii) Although a few candidates quoted percentages which were wrong, the great majority stated that the unemployment rate was lower in the East than in London, and used the data to support this perspective.
- (b) The great majority of responses to this part of the question recognised the Claimant Count and the Labour Force Survey as the two measures of unemployment.
- (c) Some candidates received no marks for the cause of cyclical unemployment as they seemed to be unfamiliar with the term or confused it with other types of unemployment, including structural and seasonal. Those candidates who understood cyclical unemployment often gained all three marks as they explained the reverse multiplier process found in times of recession.

Weaker responses which received no marks for the cause of voluntary unemployment connected it with voluntary work. Many candidates recognised that some people choose not to work. A sizeable minority related voluntary unemployment to having enough money not to work, or they had retired, or were looking after children, or were in full time education, etc. Such people would, by definition, not form part of the workforce, so these candidates did not know the difference between the economically inactive and the unemployed. Nevertheless, many candidates did identify voluntary unemployment with state benefits and earned at least two marks.

- (d) This part of the question considered whether the problems of high unemployment were greater than the problems of high inflation. There was, as expected, a very wide range of answers. Some candidates veered off the question and discussed, for example, the benefits of a low inflation rate. At a basic level were comments such as 'inflation makes everything more expensive so everyone is worse off'. Most candidates knew a few of the problems associated with unemployment and/or inflation and could explain them. With regard to unemployment; lower living standards, social problems, wasted resources, and government finance problems were often explained. Problems of inflation frequently explained included shoe leather costs, menu costs, the wage-price spiral and danger of hyperinflation. Examiners would have liked to see 'lack of competitiveness' and 'balance of payments effects' more often in answers. Only the best responses went on to address which of these caused the greatest problems and to make a judgement. Quite a few of these candidates' responses thought that as inflation could lead to high unemployment as well it was, therefore, more of a problem. Other candidates pointed out the damage which hyperinflation could cause to the whole economy and currency. An alternative view was that unemployment causes more divisions in society.

A593 The UK Economy and Globalisation

General comments

Candidates seemed to be well-prepared for the examination and the examiners saw some very good responses. However, there was evidence that some candidates had a weak understanding of the subject material and the stimulus material and so, as a result, struggled to put across relevant economic ideas or to demonstrate real economic understanding. Most candidates seemed to have sufficient time to answer all of the questions. However, there were more non-responses to specific questions this year, which seemed to be due to a lack of candidate knowledge on those aspects of the unit specification, rather than to time constraint issues.

Candidate understanding of the pre-release stimulus material appeared to be good. However, this year's examination paper was based largely around issues facing developing countries and it is important for candidates to understand that such countries face a very different set of issues and circumstances compared to those faced by developed countries. Often candidates who scored more highly were able to recognise such differences and to reflect these in their answers, while weaker responses seemed to convey that developing countries face the same sorts of issues as those faced by economies such as the UK.

There were some specific issues which were highlighted in this paper.

- Candidates are prone to 'trawl' through the data when answering questions such as 6(a). It would be far better if they were to pick out key aspects of the data such as similarities and/or differences, as well as significant features such as the lowest and/or highest values in comparison to another economy, for example.
- Candidates' ability to evaluate is often weak. Simply giving impacts or implications might demonstrate the ability to analyse, but in order to evaluate a candidate is required to discuss which of those impacts or implications might have a larger influence or effect. Candidates could also provide counter-arguments to one or more of the points which have already been made in the answer. Some responses, however, simply stated that they either agreed or disagreed with the statement in the stem of the question, but then do not go on to provide a supporting justification for their comment. It should be pointed out that evaluation does not have to appear at the end of the answer – in fact, many candidates are able to provide evaluative comments as the answer progresses. This is in contrast to some candidates who like to conclude their answers by starting a final paragraph with a phrase such as 'So to evaluate...' or even write 'Evaluation' as a form of sub-heading. Often, however, this leads candidates to simply repeat points or issues which have already been made in their answer and so do not add anything new. It should be remembered that examiners are looking for an ability to weigh up issues or to make a supported judgement or justification and not simply to repeat points written earlier in the answer.
- There were more non-responses this year and the questions which were affected most were 6(b), 7(b), 8(a) and 8(b). This suggests that some candidates did not feel confident about the topics of interest rates and exchange rates, as well as the requirement to write more detailed answers on topics such as capital investment and how to increase exports.

Comments on individual questions

Question 1

- (a) The vast majority candidates were able to identify the two correct factors of production.

- (b) Most candidates were able to identify the correct country for each of the three parts of this question. However, it was interesting to note that, despite the question referring to the need for candidates to use Fig. 1 (which referred to Brazil, Russia, India and China), in answering the question, some of them identified the UK as the country that offers a service as one of its exports, showing that they had not read the question properly.

Question 2

- (a) The vast majority of the candidates were able to identify the country with the lowest income per capita from the data provided.
- (b) Most candidates were able to compare the position of China and the UK correctly with the better answers going on to make comparative statements, such as the UK's income per capita being approximately five times higher than that of China or by stating that the UK's income per capita is US\$29,020 higher than that of China, after having identified the figures for each country. Weaker responses simply repeated the data or used phrases such as 'the UK's income per capita is much higher'.
- (c) This part of the question created a very mixed set of responses. Candidates' knowledge and understanding of what constitutes 'absolute poverty' was usually shown by reference to either a benchmark figure such as earnings of less than US\$1.25 per day and/or the inability to purchase basic needs such as food. This was of a much higher standard than the part of the answer which referred to 'relative poverty'. This seemed to demonstrate a fundamental lack of understanding as to what is meant by this term. Better answers made reference to people being in relative poverty when their income is less than the average income for the country in which they live and specifically referred to 60% or less of median income. Weaker answers made vague references to some people earning more relative to others, e.g. professional footballers.

Question 3

- (a) The vast majority of the candidates were correctly able to identify an example of a multinational company.
- (b) In order to achieve both marks available on this part of the question, the candidates needed to refer to the fact that MNCs have their headquarters in one country and that they operate in a number of other countries. The majority of the candidates were able to show their understanding in this way, but some answers only focused upon the worldwide operations of the MNC.
- (c) This was an accessible question, but weaker responses simply identified either benefits and/or costs of MNCs to developing economies without going on to analyse the impact of these issues for such economies. Where such analysis was present, it often related to issues such as unemployment and the standard of living. The best answers were able to state why they felt MNCs had either an overall positive or negative effect on developing countries by suggesting how important issues, such as technology transfer, employment creation and/or infrastructure improvements, are to developing economies as a part of their process of economic development.

Question 4

- (a) The vast majority of the candidates were able to identify India's share of world output in 2010.

- (b) This part of the question proved to be quite challenging for many candidates and only a few achieved full marks. The better responses were able to use the data provided in order to state how China's share of world output has increased, while that of developed countries has fallen. They then went on to explain how this trend is anticipated to continue up to 2016 and what the likely impacts of these changes could be on global trade. These impacts often included: increasing exports from China to the rest of the world; increasing imports into China from the rest of the world (either in the form of raw materials or investment goods or luxury brands); the impact of such changes on China's balance of payments; and potential balance of payments issues for developed countries.

Unfortunately, some candidates misinterpreted the question and the suggested that the data showed how China's share of world trade was rising and then proceeded to write about how increasing trade was impacting on China's share of world output.

- (c) The majority of the candidates were able to recognise that the data in Fig. 5 showed annual percentage changes in the value of global traded items over the four years highlighted. As a result, they were able to explain how they disagreed with the statement in the question. However, weaker responses quoted that the value in 2008 was approximately 5.2%, while in 2009 it was 3% and so it was lower and, therefore, they agreed with the statement in the question.

Question 5

- (a) Most of the candidates were able to explain what is meant by an import into the European Union (EU). However, weaker responses were unable to clearly demonstrate that the good or service must have originated in a country outside of the EU and/or that money would be flowing out of the EU as a result.
- (b) This part of the question allowed the candidates to choose one of a number of possible reasons as to why the EU placed a tariff on imports of bananas from countries such as Brazil. Many candidates correctly identified that there were no corresponding tariffs on imports of bananas from former European colonies in Africa and the Caribbean and so focused on political or historical reasons due to the ties between EU countries and their former colonies. However, in order to achieve full marks, there was still a need to explain how a tariff operated in terms of raising the prices of, and limiting demand for, imports of the bananas from specific countries in Central and South America, and how this fitted in with the reason given by the candidate for the use of the tariff in the first instance.
- (c) Better responses to this part of the question were able to point out how the reduction in the tariff would affect the EU market for bananas from Central and South America. This might have been supported by the drawing of a clear diagram (although this was not required) and a discussion as to the significance of any increase in imports due to factors such as the price elasticity of demand for bananas from that part of the world or any issues, such as quality, when consumers came to make comparisons with bananas imported from countries in Africa and the Caribbean. There were also some good responses which discussed how the tariff had only been reduced and not eliminated and so banana growers in Africa and the Caribbean might still enjoy a price advantage.

Question 6

- (a) When attempting to compare the economic growth rates of India and the UK using only selected years from the data provided, it was essential for the candidates to look for points of comparison and not to simply 'trawl' through the data and identify the growth rate for each country for each of the four years referred to in the question – even if they 'compared' the data country-to-country by stating that one was higher/lower than the other. Weaker responses were often solely based on such an approach and received either zero or one mark at best. The better responses, however, identified comparisons, such as: that India always had higher growth than the UK; that India's growth went up during the global crash of 2008–9, while the UK's went negative; and that India's economic growth rate was more stable.

- (b) The most important thing to note about this part of the question was what the focus of the candidates' responses was meant to be. The question concerned the causes of economic growth and the extent to which capital investment is important in achieving it. It was not a question about the costs and benefits of capital investment. Unfortunately, this was how a number of the candidates approached the question and, as a result, they were often unable to access the marks for analysis and evaluation. In addition, some candidates either did not know what capital investment is or were unable to state explicitly what it is and so were unable to achieve a mark above Level 1. Some candidates also saw this as an opportunity to write another answer about the benefits and/or costs of MNCs, which rarely allowed access to the higher marks.

The better responses were able to explain what capital investment is and how it can lead to economic growth before going on to analyse the impact of such economic growth on the performance and/or development of developing countries. Good evaluative answers to this part of the question often showed a very clear understanding that capital investment, whilst important, may not be enough on its own and might require other accommodating approaches, such as education and training, in order to be able to use the capital being invested in.

Question 7

- (a) Most candidates were able to provide the correct answer of -£17,711m. However, some candidates lost a mark for neglecting to include either the minus symbol and/or the £ symbol and/or the units as millions. Some candidates misread the question and calculated the UK's total balance of trade in goods and services with all the BRIC countries. However, even though this was the incorrect approach, as long as candidates had shown all of their workings and used the correct symbols they could still achieve two marks for the correct process – hence, demonstrating the importance of always encouraging candidates to show their working.
- (b) This part of the question provided candidates with three potential factors which could be considered in their answer as to how the UK might increase its exports to countries such as India and Brazil. This allowed the vast majority of the candidates to demonstrate their knowledge and understanding of how these three factors could assist the UK in expanding into such foreign markets.

The best responses were able to access marks above Level 2 by analysing potential impacts of these factors and how they could be used in these circumstances. There were also some good responses which related to how UK firms should focus on the rising affluence of some consumers in markets such as India and Brazil and try to increase sales of higher-end goods and services, just as has been happening in China in recent years.

Question 8

- (a) This part of the question required the candidates to analyse the data in Fig. 12 and to explain one possible reason why Russia raised its Central Bank interest rate to 13% in 2011. It was expected that the candidates would notice that Russia's inflation rate increased again in 2011 after having decreased between 2008 and 2010. Most candidates were able to identify the correct reason, but were not always as successful in explaining how raising the interest rate was meant to help to reduce inflation in Russia.

Some candidates answered the question in terms of the effect that a higher interest rate would have on the Russian exchange rate, despite this being more closely related to the focus of the following part of the question. It might be worth pointing out to future candidates sitting this unit that if they find themselves wanting to write the same answer to different question parts then it is likely to mean that they have not understood one of the questions fully or that they need to identify different aspects of their economics knowledge and understanding in answering each question.

As mentioned earlier, this part of the question also saw a higher incidence of non-responses, which could suggest a weak understanding of the topic of monetary policy and inflation.

- (b)** In common with part (a), this part of the question also saw a high incidence of non-responses, which could suggest a weak understanding of the topic of exchange rate determination. Candidates were expected to answer that an increase in a country's interest rate would lead to an increase in the demand for or a decrease in the supply of the currency of that country, either of which would lead to an increase in the value of the country's currency.

Question 9

As in previous years, this last question on the paper required the candidates to use the information in the case study and their own knowledge of economics in order to answer the question.

The key factors which allowed some candidates to access Levels 3 and 4 of the mark scheme were to focus their answer on the costs and benefits of international trade to *developing* countries *and* to use the information in the case study. A number of very good responses were limited to a maximum of six marks (the top of Level 2) because either the candidates did not refer to any of the data in the case study or because they wrote their answers in the context of developed countries such as the UK. Also, some candidates based their answers around the costs and benefits of globalisation, and so clearly demonstrated either that they did not read the question properly or were answering an expected question using a previously prepared answer.

The best responses used the data provided in the stimulus material to analyse whether the benefits of international trade outweighed the costs to developing countries such as China and provided a justified conclusion and demonstrated a very good command of economics.

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

OCR Customer Contact Centre

Education and Learning

Telephone: 01223 553998

Facsimile: 01223 552627

Email: general.qualifications@ocr.org.uk

www.ocr.org.uk

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Facsimile: 01223 552553

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