



GCE

Economics

Advanced GCE **H460**

OCR Report to Centres June 2017

About this Examiner Report to Centres

This report on the 2017 Summer assessments aims to highlight:

- areas where students were more successful
- main areas where students may need additional support and some reflection
- points of advice 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.

The report also includes:

- An invitation to get involved in Cambridge Assessment's research into **how current reforms are affecting schools and colleges**
- Links to important documents such as **grade boundaries**
- A reminder of our **post-results services** including Enquiries About Results
- **Further support that you can expect from OCR**, such as our Active Results service and CPD programme
- A link to our handy Teacher Guide on **Supporting the move to linear assessment** to support you with the ongoing transition

Understanding how current reforms are affecting schools and colleges

Researchers at Cambridge Assessment¹ are undertaking a research study to better understand how the current reforms to AS and A levels are affecting schools and colleges.

If you are a Head of Department (including deputy and acting Heads), then we would be very grateful if you would take part in this research by completing their survey. If you have already completed the survey this spring/summer then you do not need to complete it again.

The questionnaire will take approximately 15 minutes and all responses will be anonymous.

To take part, please click on this link: <https://www.surveymonkey.co.uk/r/KP96LWB>

Grade boundaries

Grade boundaries for this, and all other assessments, can be found on [Interchange](#). For more information on the publication of grade boundaries please see the [OCR website](#).

Enquiry About Results

If any of your students' results are not as expected, you may wish to consider one of our Enquiry About Results services. For full information about the options available visit the [OCR website](#). If university places are reliant on the results you are making an enquiry about you may wish to consider the priority 2 service which has an earlier deadline to ensure your enquires are processed in time for university applications.

Supporting the move to linear assessment

This was the first year that students were assessed in a linear structure. To help you navigate the changes and to support you with areas of difficulty, download our helpful content comparison document from the subject webpage

<http://www.ocr.org.uk/qualifications/beta/as-a-level-gce-economics-h060-h460-from-2015/>

Further support from OCR

activeresults

Active Results offers a unique perspective on results data and greater opportunities to understand students' performance.

It allows you to:

- Review reports on the **performance of individual candidates**, cohorts of students and whole centres
- **Analyse results** at question and/or topic level
- **Compare your centre** with OCR national averages or similar OCR centres.
- Identify areas of the curriculum where students excel or struggle and help **pinpoint strengths and weaknesses** of students and teaching departments.

<http://www.ocr.org.uk/administration/support-and-tools/active-results/>



Attend one of our popular CPD courses to hear exam feedback directly from a senior assessors or drop in to an online Q&A session.

<https://www.cpdhub.ocr.org.uk>

¹ Cambridge Assessment is a not-for-profit non-teaching department of the University of Cambridge, and the parent organisation of OCR, Cambridge International Examinations and Cambridge English Language Assessment.

CONTENTS

Advanced GCE Economics (H460)

OCR REPORT TO CENTRES

Content	Page
H460/01 Microeconomics	5
H460/02 Macroeconomics	8
H460/03 Themes in Economics	11

H460/01 Microeconomics

General Comments:

This was the first sitting of the microeconomics paper of the new A Level. There appeared to be no timing difficulties and very few examples of scripts in which candidates struggled to respond to all questions. The paper discriminated well and there was much good use of economic concepts and theories as well as quantitative skills by candidates. The new holistic approach to assessment worked well in discriminating between different responses and allowing the very best candidates to access the highest levels of the mark scheme and the highest marks within those levels. If there is one important piece of feedback in all of the below comments on the individual questions, it is that candidates must ensure in the higher tariff questions that the quality of analysis on both sides of a question is given equal attention. A response which displays limited analysis will be unlikely to be awarded marks beyond the bottom of Level 3 of the mark scheme. This requires candidates to take time to understand the demands of the question they choose to ensure that they are able to provide supporting analysis which is relevant to the question asked.

Comments on Individual Questions:

Question No. 1ai

A surprising number of candidates were not able to recognise the positive relationship between changes in real GDP and changes in rail passenger journeys in Fig. 1.

Question No. 1aii

Candidates appeared to find this data interpretation question difficult and some did not recognise that an economist would explain the relationship using concepts of income elasticity of demand and / or derived demand.

Question No. 1b

Weaker candidates confused contestability with competition and focused on the number of Train Operating Companies. Better candidates recognised that barriers to entry had been reduced by the bidding process or by the creation of a state-owned provider of rail infrastructure. Credit was available to candidates who had knowledge of contestability even if they were not able to link this to the information in the stimulus material.

Question No. 1c

The diagrams offered by many candidates did not show a good knowledge and understanding of natural monopoly, in terms of constantly declining LRAC relative to the size of market demand. The lack of knowledge and understanding was also evident in the explanation of why a high level of fixed costs in providing infrastructure make the railway network and example of a natural monopoly. Better candidates were able to gain the mark available for explanation of the diagram by stating that a single firm can satisfy market demand at a lower average and total cost than two or more firms, so that competition would be economically inefficient.

Question No. 1di

This question was well answered, candidates recognising that the stimulus material included evidence that different prices were charged for a journey from Newcastle to London at different times.

Question No. 1dii

Despite correct answers to the previous question, weaker candidates focused on the advantages and disadvantages for consumers of monopoly power rather than of price

discrimination. In other responses, there was very good knowledge and understanding of the different types of price discrimination but not always analysis of how this might impact on consumers. The best candidates were able to use their knowledge and understanding of price discrimination to analyse and evaluate the benefits to consumers. For example, they were able to identify which consumers would gain or lose based on the characteristics of demand, how price discrimination might allow provision to some consumers who would not otherwise have access to a good or service and how the generation of increased profits from price discrimination might allow firms to improve the quality of the good or service over time. This was the first of the questions on the paper which was marked using the new holistic method of assessments, which allowed for effective discrimination between different types of responses.

Question No. 1e

The case for private sector ownership of passenger rail services was less convincing than the case against. The depth of analysis was not as strong, with many candidates asserting benefits of private ownership without explanation. Whilst the analysis offered addressed the question, it was largely in the form of single links which were not developed into a clear chain of reasoning. This was typical of very many Level 2 responses. Some candidates did not use the evidence in the stimulus material to support their analysis and evaluation, whilst the weakest candidates focused entirely on the evidence in the stimulus material and provided no supporting analysis. These responses were awarded in Level 1 of the mark scheme. Again, the holistic approach to assessment allowed for effective discrimination between the overall quality of the responses offered.

Question No. 2

This was not a popular choice of question. Candidates who chose this question tended to focus on the advantages and disadvantages of the free market in allocating resources rather than on the extent to which the model could explain how commodity markets functioned. For example, only better candidates recognised that, since commodities tend to be traded internationally and are homogeneous in nature, their price is likely to be determined by the interaction of demand and supply. Evaluation of other factors which might be useful in analysing commodity markets, such as government intervention in the form of taxes, subsidies and buffer stock schemes was rarely seen.

Question No. 3

This question elicited some excellent responses, with candidates showing a very good grasp of the analysis and evaluation of the impact of minimum wages on the labour market and the wider economy. Better candidates focused on the question by drawing out the implications in the context of an increase in the minimum wage. There were some confusions and inaccuracies in understanding, for example that an increase in the supply of labour would lead to a fall in unemployment but overall these did not detract for the quality of the economic analysis offered on both sides.

Question No. 4

This proved to be a challenging question for those candidates who chose it. Weaker candidates did not have a sufficient grasp of the usefulness of the theory of perfect competition, so spent the bulk of their answer simply outlining the theory. Reference to markets such as agriculture, commodities and foreign currency markets would have enabled many candidates to engage better with the question. Reference to the implication of the theory in making judgements about the efficiency of real world markets, for competition policy and the regulation of such markets by was rarely seen. Candidates were more comfortable identifying the unrealism of the model, however, and tended to do this well. Without good analysis the usefulness of the theory some candidates could not be awarded beyond Level 2 of the mark scheme.

Question No. 5

A popular question choice, this question was answered well by better candidates. Weaker candidates showed less understanding of why profit maximisation may be the most important

objective for firms in the real world. The mark scheme accommodated a range of possible reasons why profit maximisation is an important objective, including: the ability to fund investment; allowing a firm to be dynamically efficient; rewarding shareholders and managers in terms of higher dividend payments and profit-sharing schemes. Candidates were more convincing in their explanation of why profit maximisation might not be the most important objective and were able to provide examples of markets and firms where other objectives might be more important.

H460/02 Macroeconomics

General Comments:

This was the first session of the paper. There was a range of performance. The vast majority of candidates attempted all the questions although a few did not attempt Q1(c)(ii).

Most candidates did well on the early data questions, making good use of the information provided. The question, however, which candidates found most challenging on the paper was Q1(d). This did require careful thinking as it linked a fall in price to a rise in inflation.

There was a reasonably even spread on the essay questions although Q2 was slightly more popular than Q3 and Q4 was rather more popular than Q5. There were no rubric errors.

One key aspect which differentiated the quality of candidates' answers was the extent to which they established the points they made. Some candidates just asserted points. A number wrote in rather general terms and did not make much use of relevant economics. Others wandered off the point of the question. There were, however, a pleasing proportion of candidates who produced impressive answers to the essay questions. These included relevant economic concepts, models and theories, for example, the Harrod-Domar model and showed the ability to analyse and evaluate.

Throughout the paper there was good use of aggregate demand and aggregate supply analysis. On the essay questions, there were some answers which provided in depth analysis and evaluation, on a range of aspects of the question.

There was little evidence of candidates running out of time and most candidates allocated their time appropriately.

Comments on Individual Questions:

Question No.1(a): Most candidates were able to distinguish accurately between disinflation and deflation. A small proportion of candidates confused the two or wrote that disinflation is a fall in the rate at which inflation, rather than the price level, is increasing.

Question No 1(b)(i): This was a well answered question with most candidates recognising that the real rate of interest is adjusted for inflation.

Question No 1(b)(ii): There were some good answers based on which country is most likely to have engaged in quantitative easing post- and pre-2015. A number of candidates recognised that the UK's inflation rate was low and below target and that the UK's interest rate was low. Others explained that Russia's high inflation rate might have been the result of quantitative easing in the past.

Question No 1(c)(ii): The majority of candidates recognised that Fig.2 showed that Sweden had the most even distribution of income. Most of these were able to explain why. A number, however, mentioned the distribution of income at only point and a few incorrectly identified Brazil as the country with the most even distribution.

Question No 1(d): Not many candidates linked the likely effect of a fall in the price of oil on the export revenue and the exchange rate of oil producing countries and so on cost-push inflation in the countries. Most candidates approached the question by considering a possible impact on aggregate demand so demand-pull inflation. A number of candidates did not establish a link

between a fall in the price of oil and the general price level. Others showed some confusion over the meaning of inelastic demand, including some candidates interpreting it as perfectly inelastic demand.

Most candidates provided some relevant evaluation particularly in terms of the level of capacity in the economy. There were, however, some vague statements made which did not establish evaluation. For instance, a number of candidates wrote that a small fall in the price of oil would have a smaller effect than a large fall. This is self-evident and is not enlightening.

Question No 1(e): There was a full range of performance on this question. Some candidates produced strong answers which explored how an increase in the funds banks have available may reverse a deflationary spiral and which included strong evaluation. These answers made good use of aggregate demand and supply analysis. The evaluation sometimes included not only reference to consumer confidence levels, the responsiveness of demand to changes in the rate of interest and banks' capital and liquidity positions.

Some candidates, however, did not appear to have thought carefully enough about the question. For instance, a number of candidates did not discuss the effect of increasing funds when there is a deflationary spiral. Indeed, some wrote about the effects during an economic boom. As with Q1(d), a number of candidates also wrote that the effect will depend on the size of the change without establishing why this might be significant.

Question No 2: The diagrams drawn included aggregate demand and aggregate supply diagrams, production possibility curves and Phillips curve diagrams. These were generally good although not all were labelled accurately.

Some answers were rather narrow, just focusing on increased incomes and the risk of higher inflation. Some candidates revealed confused thinking. For instance, for some reason, a number wrote that full employment would reduce competition for labour and would lower wages.

There were also a pleasing proportion of strong answers which included some interesting, accurate analysis and in depth evaluation. This included a discussion on the impact of the government's budget position and the current account position of the balance of payments.

Question No 3: There was good use made of aggregate demand and aggregate supply diagrams, both Keynesian and Neo-classical versions, in response to this question. Again, in some cases, there were some inaccuracies and carelessness in the labelling of the diagrams.

The analysis of how fiscal policy might reduce a negative output gap by changing taxes and government spending and the difference between automatic stabilisers and discretionary fiscal policy was generally good. There was, however, a need for greater clarity in places. A number of candidates, for instance, appeared to confuse the likely effect of a higher disposable income on the total amount of consumer expenditure with the likely effect on the marginal propensity to consume.

There was some strong evaluation shown with some particularly interesting discussion on crowding out and crowding in. It was disappointing, however, that a number of candidates lost focus and wrote about how expansionary fiscal policy would not increase output and would cause only inflation when there is full employment.

Question No 4: The strongest answers kept a focus on reducing poverty. There was some good use made of economic theory, including aggregate demand and aggregate supply analysis and the trickle-down effect. There was some good evaluation, some of which discussed who is most likely to benefit from economic growth and distinguished between the effects of economic growth on absolute and relative poverty.

A number of answers, however, tended to devote some of the answer to a different question, that is whether economic growth increases living standards. Some candidates, for example, wrote that increased government spending that economic growth may make possible would not be beneficial if it is on the military. Such an approach often did not consider what impact such spending might have on poverty via, for instance, employment.

Question No 5: There were some very well thought out, lucid and perceptive answers to this question. These included good use of economics particularly in terms of the assessment of how the remittances might be used, including reducing a savings gap, the impact of a brain drain and the effect remittances may have on the balance of payments and the exchange rate.

Some answers, however, were rather descriptive and lacking in economic content. A number of candidates asserted but did not establish the points they made. For instance, some candidates wrote that remittances can increase government spending without establishing any links between the two.

H460/03 Themes in Economics

General Comments:

The first sitting of the Themes paper discriminated well across the ability range, with the most able candidates demonstrating an excellent grasp of the A Level specification. More effective use of the stimulus material would significantly improve marks at the bottom end – weaker candidates tended to either rely too heavily on the stimulus material, quoting large sections without using precise economic theory, or alternatively ignored the stimulus material entirely, producing a ‘stock’ answer that was not well focused on the question. To score well on this paper candidates need to be able to flexibly apply their theoretical knowledge to the case study.

Performance on the questions testing quantitative skills was variable. This is a key component of the new specification and it is important candidates can confidently tackle these elements of the course. Centres have clearly embraced the more holistic way level marked responses are now being assessed – the vast majority of candidates produced well-structured and balanced answers. The less effective responses to the 15 mark questions often spent too long on an irrelevant introduction rather than getting straight to the matter at hand or did not strike an appropriate balance between analytical and evaluative content.

Comments on Individual Questions:

Multiple Choice Questions - The majority of candidates performed well on the multiple choice questions, with the distribution of marks broadly mirroring performance in Section B. This section rewards candidates who have a comprehensive understanding of all elements of the specification; candidates with patchy knowledge performed poorly. It was surprising how many candidates were unable to identify the function of the World Bank in Question 1 or made mistakes on the straightforward microeconomics content tested in Questions 23 & 24, but other than this candidates showed impressive knowledge of the course content. The biggest area for improvement is on the quantitative questions (both numerical and diagrammatic). In a minority of cases the answer could not be marked because the candidate had not clearly indicated which option they had chosen. It is important that they cross out all but their chosen answer and, if they change their mind, to clearly cross through their original answer and write an alternative next to the answer box, rather than attempt to change their original letter and risk making the answer illegible.

Question 31 - This question was poorly answered, with few candidates able to identify the appropriate material from Extract 1 to support a correct technical explanation of the concept of scarcity. Many answers mentioned unlimited wants and ‘rising demand’ for housing and there being a limited number of houses but few linked this to the specific evidence in Extract 1 about why wants for housing are rising or that the rate of house building is falling. Others incorrectly attempted to explain scarcity through supply and demand.

Question 32 – Most candidates were able to secure a mark for correctly identifying that house prices were more volatile than average earnings over the period. Two mark answers were more scarce and most easily achieved through recognising that house prices were generally rising faster than earnings. Too many answers simply trawled through the data by picking out specific years/periods to talk about. Candidates are advised to look for overall trends that cover the whole period identified in the question. Zero marks most commonly resulted from confusion over the difference between rates and levels – a number of candidates referred to average earnings falling rather than the growth of average earnings falling.

Question 33 – Candidates understood the broad principles of the policies set out in Extract 1 but most found it challenging to apply their knowledge of the model of supply and demand accurately. A number attempted to illustrate the impact of an increase in stamp duty by shifting the supply curve to the left, despite this being a tax on the consumer rather than the producer. Those who did shift the demand curve often scored highly, particularly when explaining how the reduction in price would benefit first time buyers who were previously priced out of the market. A number of answers dealt impressively with the short run/long run trade off of the Help to Buy scheme, recognising that it might improve affordability in the short term but without house building increasing it would most likely increase prices in the long run. The strongest answers were able to consider the impact of the policies on both the purchase and rental markets.

Question 34 – The majority of students scored full marks on this question, although a sizeable minority were unable to recall the formula for price elasticity of supply, with many calculating it as the percentage change in price divided by the percentage change in quantity supplied. Candidates need to be careful of rounding too early in their calculations – the question is testing quantitative skill and many candidates lost a mark because they produced an incorrect answer to two decimal places (0.86) derived from having rounded the previous stage of their workings to one decimal place.

Question 35 – Generally answers showed a poor understanding of the theory of market failure, quoting information from the stimulus material without expanding upon it. The best answers followed a simple structure of setting out the positive or negative externalities of production that could be present in the market for house building, evaluated using the opposite case and then reached a judgement weighing up the extent of the externalities on each side. Weaker answers confused other theories of market failure that were not relevant to the question, referring to the consumption rather than the production side of the market. Some candidates scored highly by arguing market failure occurred as a result of monopoly/oligopoly distortions, although this was rare – the majority of candidates who went down this route simply quoted from the extract without linking to economic theory.

Question 36 – The majority of candidates scored highly on this question, with excellent use of the extract combined with accurate technical terminology. Weaker answers lacked precision, referring to the budget having a 'big hit' or being made 'much better' rather than using the terms deficit and surplus. Centres should remind candidates to be guided by the command word in the question – some wasted time offering evaluation that could not be credited.

Question 37 – This was a straightforward question that was well handled by most candidates. It is important that a definitive answer is given. Many candidates said that the table both supported and contradicted the theory within the space of a sentence, despite the data clearly indicating that there was no correlation.

Question 38 – Understanding of the relationship between economic growth and development was on the whole impressive. The best answers were able to apply this to the material covered in Extract 3, such as drawing a Lorenz curve to demonstrate why countries like Peru may have experienced substantial economic growth and yet struggled to develop. Candidates should be reminded that simply quoting the extract or demonstrating their own knowledge without application will limit the mark they can be awarded. Weaker answers gave a thorough explanation of how countries might achieve economic development but did not relate this to economic growth. Such analysis could not be credited as it was not answering the question. The same can be said of answers that explained the various ways a country can achieve economic growth without explaining or evaluating the impact this can have on economic development.

About OCR

OCR (Oxford Cambridge and RSA) is a leading UK awarding body. We provide qualifications which engage people of all ages and abilities at school, college, in work or through part-time learning programmes.

As a not-for-profit organisation, OCR's core purpose is to develop and deliver general and vocational qualifications which equip learners with the knowledge and skills they need for their future, helping them achieve their full potential.

© OCR 2017

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

For staff training purposes and as part of our quality assurance programme your call may be recorded or monitored

Oxford Cambridge and RSA Examinations
is a Company Limited by Guarantee
Registered in England
Registered Office; 1 Hills Road, Cambridge, CB1 2EU
Registered Company Number: 3484466
OCR is an exempt Charity

OCR (Oxford Cambridge and RSA Examinations)
Head office
Telephone: 01223 552552
Facsimile: 01223 552553

© OCR 2017

