

A LEVEL

Examiners' report

ECONOMICS

H460

For first teaching in 2015

H460/03 Summer 2019 series

Version 1

Contents

Introduction3

Paper 3 series overview4

Section A overview5

Section B6

 Question 316

 Question 327


 Question 338

 Question 349

 Question 359

 Question 3612

 Question 3713




Would you prefer a Word version?

Did you know that you can save this pdf as a Word file using Acrobat Professional?

Simply click on **File > Save As Other . . .** and select **Microsoft Word**

(If you have opened this PDF in your browser you will need to save it first. Simply right click anywhere on the page and select **Save as . . .** to save the PDF. Then open the PDF in Acrobat Professional.)

If you do not have access to Acrobat Professional there are a number of **free** applications available that will also convert PDF to Word (search for *pdf to word converter*).



We value your feedback

We'd like to know your view on the resources we produce. By clicking on the icon above you will help us to ensure that our resources work for you.

Introduction

Our examiners' reports are produced to offer constructive feedback on candidates' performance in the examinations. They provide useful guidance for future candidates. The reports will include a general commentary on candidates' performance, identify technical aspects examined in the questions and highlight good performance and where performance could be improved. The reports will also explain aspects which caused difficulty and why the difficulties arose, whether through a lack of knowledge, poor examination technique, or any other identifiable and explainable reason.

Where overall performance on a question/question part was considered good, with no particular areas to highlight, these questions have not been included in the report. A full copy of the question paper can be downloaded from OCR.

Paper 3 series overview

Candidates engaged impressively with the stimulus material, which is perhaps unsurprising given the relevance of the theme at the time of the exam being sat. Far more candidates than in previous series attempted to answer the questions within context with most using the stimulus material as a starting point before going on to use the economist's tool kit to offer what was often sophisticated economic analysis. In the level marked questions answers were generally well structured, with most working their way through analysis before offering evaluation and finishing with a supported judgement. Candidates must be wary though of simply using the final paragraph as an opportunity to summarise everything they have written so far – conclusions of this nature were not credited. They should rather come to a judgement supported by the preceding analysis.

The multiple choice questions covered a large proportion of the specification and many candidates showed a strong command of the course content, although there were a number of challenging questions that students found challenging to solve in this year's paper.

Note

We have updated our specification for first teach 2019, please make sure you download our latest version from our website (<https://www.ocr.org.uk/qualifications/as-and-a-level/economics-h060-h460-from-2019/>) and see the SIU here:

<https://www.ocr.org.uk/administration/support-and-tools/siu/as-a-level-economics-536672/>

Section A overview

The multiple choice questions discriminated well across the ability range, with the best candidates able to answer almost all questions correctly while the less well prepared did not achieve more than 10 marks. Candidates displayed strong knowledge of a number of areas of the specification, with the majority correctly answering questions on Harrod Domar (Question 7), determinants of unit labour costs (Question 9), game theory using the prisoners' dilemma (Question 14) and determinants of elasticity of labour supply (Question 19). They were also confidently able to interpret the diagrams illustrating long run economic growth (Question 12) and minimum prices (Question 15).

While the relatively straightforward question requiring quantitative skills to calculate marginal utility was answered well (Question 26), candidates generally found questions assessing quantitative skills challenging, particularly in calculating GDP per capita (Question 21) and the terms of trade (Question 30). A large number of candidates could not answer questions that required recall of relatively standard topics, such as positive and normative statements (Question 2), productive and allocative efficiency (Question 11) and the harms of inflation (Question 13). As has been the case in previous series, candidates found the question on the balance of payments challenging (Question 17).

In some cases, answers could not be credited because it was unclear which option the candidate had selected. It is crucial that when a candidate changes their mind they clearly cross out the original answer and write the final answer to the side of the original one; attempts to write over the top of the initial answer often result in the answer being too unclear to credit.

Section B

Question 31

31 Using Fig. 1.1 and the information in Extract 1, explain whether the UK's balance of payments is likely to be harmed as a result of the UK leaving the European Single Market.

.....

.....

.....

.....

.....

..... [2]

The majority of candidates were given a mark for recognising that non-EU countries are becoming increasingly important trading partners or, inversely, that the EU is becoming a less significant trading partner. Few went on to make the point that even though trade with EU countries is falling it still accounts for a significant proportion of UK exports. The best answers were able to separate the impact of Brexit on exports to the EU and non-EU countries but the majority of answers could have been improved by being more specific on this point and elaborating statements such as 'exports will decrease' about this occurring because exports to the EU will fall as a result of tariffs being imposed. Some candidates argued the UK's balance of payments would not be harmed but again this could have been explained more clearly, as illustrated in Exemplar 1 where reference to the ability of the UK to strike free trade deals with non-EU countries which would see exports to these countries increase still further would earn a second mark.

Exemplar 1

Figure 1.1 shows the % of UK's exports going to non-EU countries increasing since 2008. This suggests that UK's BOP is not likely to be harmed from leaving the EU, as the UK has growing trade (and a higher proportion of exports) to non-EU countries.

Question 32

32 Some economists argued membership of the European Single Market caused a number of trade distortions, including in the beef market, where Irish firms had an artificial advantage over US firms as a result of being able to export to the UK tariff-free.

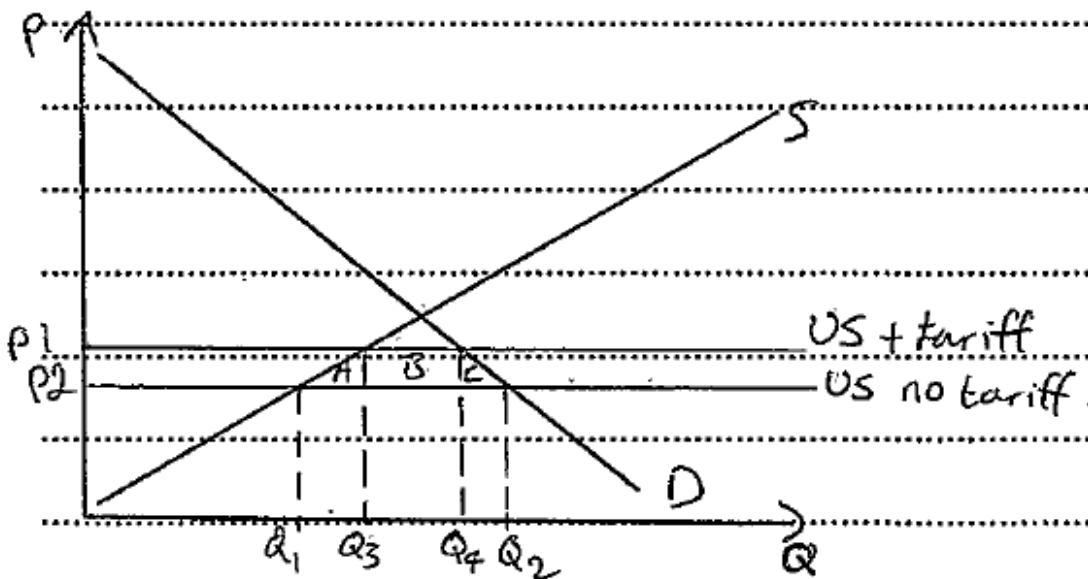
Explain, using an appropriate diagram and the information in Extract 1, the impact on the UK of a free trade deal that would enable US firms to export beef to the UK tariff-free.

.....
.....
.....
.....
.....
..... [6]

Candidates showed a good understanding of the basic impact of a free trade deal, explaining that this would lead to the price of beef falling, consumer surplus rising, beef imports rising and domestic production falling. This enabled candidates to be credited up to 3 marks and answers could have been improved with a correct diagram. Most candidates opted for a standard trade creation diagram (as in Exemplar 2) which implied that beef was initially being imported from the US with a tariff, when the extract and question makes clear that trade was initially taking place with Ireland because of the artificial advantage arising from being part of the single market. Candidates would benefit from more practice manipulating their diagrams to suit the particular scenario given as opposed from just inserting stock diagrams.

Candidates who drew the correct diagram sometimes could have achieved top of the mark range if their diagram had been fully integrated into their explanation. At the top end though there were a number of impressive responses with a high degree of technical accuracy, using the diagram to algebraically illustrate the increase in consumer surplus, reduction in producer surplus and the societal welfare gain.

Exemplar 2



Question 33

33 Using Fig. 1.2, explain what happened to the value of the pound following the UK's vote to leave the European Union.

.....
.....
.....
.....
.....
..... [2]

This was a well answered question, with almost all candidates correctly identifying that the exchange rate depreciated following the vote to leave the European Union. The majority of candidates attempted to use the data to explain. Candidates would benefit from being more precise with their use of data – Exemplar 3 was typical of a one mark answer which could have been improved by stating the dates to which the figures referred, making it impossible for the examiner to verify whether the data had been used accurately. The majority of candidates demonstrated a confident understanding of how to interpret exchange rates.

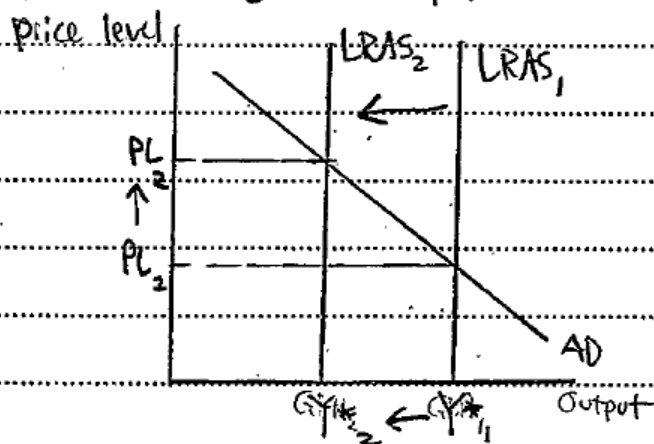
Exemplar 3

The value of the pound depreciated from 1.27 to 1.19
euro's per pound.

Exemplar 4

Ending the free movement of labour will lead to a fall in the level of immigration into the UK. Extract 2 suggests that high levels of immigration had "pushed up house prices", suggesting that reducing this immigration will lead to a lowering of house prices, and a fall in the variation in house prices across the UK. Lower house prices will lead to an increased ability and willingness of workers to move between different regions of the UK. This will lead to an increase in geographical mobility. This will result in an

increased ability of labour to respond to changes in labour market conditions (such as changing wage rate or changing demand for labour), leading to an increase in geographical labour market flexibility, (as a result of the reduced immigration) Ending the free movement of labour, leading to levels of immigration will also lead to a fall in the size of the UK's working age population.



This will lead to a fall in the productive capacity of the UK, and cause LRAS to shift from $LRAS_1 \rightarrow LRAS_2$ (reducing capacity from $Y^*_1 \rightarrow Y^*_2$). This will lead to a fall in the level of long run economic growth, leading to a fall in incomes and potentially increased unemployment. The inwards shift in LRAS will also lead to a ^{sustained} increase in the general level of prices over time from $PL_1 \rightarrow PL_2$. This will lead to an increase in (cost push) inflation in the UK economy, and may also lead to lower levels of international competitiveness of UK firms, leading to a fall in the value of net exports and a worsening of the UK's current account deficit on the BOP.

Question 36

- 36 Evaluate, using the information in Extract 3, the extent to which the Paris Accord and tradable pollution permit schemes will be effective in solving environmental market failure. [15]

Some candidates showed a good knowledge of how tradable permits and the Paris Accord worked and could have improved their answers by linking this to how either of the schemes overcome environmental market failure. A common route into analysis was to explain how purchasing tradable permits would increase a firm's costs of production, in doing so reducing production and the pollution associated with it. Stronger answers explained how the existence of permits provides a financial incentive for firms to go green in order to profit from selling unused permits, with pollution able to reduce further over time as a result of the government incrementally reducing the number of permits in the market year on year (this is done effectively in Exemplar 5).

In evaluation, less well developed answers did not go beyond basic statements derived from the data questioning the effectiveness of the policies based on which countries participated – e.g. stating that the exit of the US from the Paris Accord would make the agreement less effective. Those candidates who went further on this point were appropriately rewarded, with some interesting arguments made around the withdrawal of the US potentially incentivising other nations to leave in the future to remain internationally competitive and multinational firms being able to get around national legislation by outsourcing production to countries which were not signed up to the regulation.

It is pleasing that the majority of candidates stuck to the policies given in the question, although a sizeable minority digressed into analysis of alternative solutions such as taxation which was not relevant, or presented analysis of government subsidies of electric cars which was the focus of Question 37.

Exemplar 5

The introduction of tradable pollution permit schemes will lead to producers of emissions having to pay in order to pollute.

Question 37

37 Evaluate, using appropriate diagrams, the impact of subsidising electric car production on the market for traditional diesel and petrol cars.

.....

.....

.....

.....

.....

..... [8]

Candidates are clearly comfortable with the theory of subsidies, with the vast majority providing a correct diagram and explanation. A large number however only provided one diagram, despite the question requiring two. Centres would benefit from reminding students to fully explain their diagrams in analysis, in this case by referring to the specific price and quantity points they have drawn.

Some candidates were clearly expecting this question to be set in the context of market failure and got distracted explaining how the policy may or may not solve market failure rather than sticking to the question and focusing on the impact on the two markets using supply and demand analysis.

Application to the scenario was impressive in this question which resulted in high quality evaluation in many scripts – candidates confidently used the concept of cross elasticity of demand to question the impact on the traditional car market and many made the point that electric cars were still likely to be more expensive and less practical than traditional cars even after the subsidy. At the weaker end answers included rote-learned points such as ‘it depends on the size of the subsidy’ without any application to the question.

Supporting you

For further details of this qualification please visit the subject webpage.

Review of results

If any of your students' results are not as expected, you may wish to consider one of our review of results services. For full information about the options available visit the [OCR website](#). If university places are at stake you may wish to consider priority service 2 reviews of marking which have an earlier deadline to ensure your reviews are processed in time for university applications.

activeresults

Review students' exam performance with our free online results analysis tool. Available for GCSE, A Level and Cambridge Nationals.

It allows you to:

- review and run analysis reports on exam performance
- analyse results at question and/or topic level*
- compare your centre with OCR national averages
- identify trends across the centre
- facilitate effective planning and delivery of courses
- identify areas of the curriculum where students excel or struggle
- help pinpoint strengths and weaknesses of students and teaching departments.

*To find out which reports are available for a specific subject, please visit ocr.org.uk/administration/support-and-tools/active-results/

Find out more at ocr.org.uk/activeresults

CPD Training

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

Please find details for all our courses on the relevant subject page on our website.

www.ocr.org.uk

OCR Resources: *the small print*

OCR's resources are provided to support the delivery of OCR qualifications, but in no way constitute an endorsed teaching method that is required by OCR. Whilst every effort is made to ensure the accuracy of the content, OCR cannot be held responsible for any errors or omissions within these resources. We update our resources on a regular basis, so please check the OCR website to ensure you have the most up to date version.

This resource may be freely copied and distributed, as long as the OCR logo and this small print remain intact and OCR is acknowledged as the originator of this work.

Our documents are updated over time. Whilst every effort is made to check all documents, there may be contradictions between published support and the specification, therefore please use the information on the latest specification at all times. Where changes are made to specifications these will be indicated within the document, there will be a new version number indicated, and a summary of the changes. If you do notice a discrepancy between the specification and a resource please contact us at: resources.feedback@ocr.org.uk.

Whether you already offer OCR qualifications, are new to OCR, or are considering switching from your current provider/awarding organisation, you can request more information by completing the Expression of Interest form which can be found here: www.ocr.org.uk/expression-of-interest

Please get in touch if you want to discuss the accessibility of resources we offer to support delivery of our qualifications: resources.feedback@ocr.org.uk

Looking for a resource?

There is now a quick and easy search tool to help find **free** resources for your qualification:

www.ocr.org.uk/i-want-to/find-resources/

www.ocr.org.uk

OCR Customer Support Centre

General qualifications

Telephone 01223 553998

Facsimile 01223 552627

Email general.qualifications@ocr.org.uk

OCR is part of Cambridge Assessment, a department of the University of Cambridge. *For staff training purposes and as part of our quality assurance programme your call may be recorded or monitored.*

© **OCR 2019** Oxford Cambridge and RSA Examinations is a Company Limited by Guarantee. Registered in England. Registered office The Triangle Building, Shaftesbury Road, Cambridge, CB2 8EA. Registered company number 3484466. OCR is an exempt charity.



Cambridge
Assessment

