

A LEVEL

Examiners' report

ECONOMICS

H460

For first teaching in 2019

H460/01 Summer 2024 series

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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. A selection of candidate answers is also provided. 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 and the mark scheme can be downloaded from OCR.

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Paper 1 series overview

This paper appeared to be accessible to many candidates and there was no evidence of timing issues. 'Application' assesses two aspects: application to context and application of economic ideas and most candidates were able to identify and apply the relevant economic concepts and theories for each question.

The focus in Section A was on aspects of the Housing market with relevant economic theories including Supply, Disequilibrium, Price Indices, Market Structure and Deregulation.

Candidates who did well on this paper generally:	Candidates who did less well on this paper generally:
<ul style="list-style-type: none"> gave responses that were focused on the question and evidence rather than generic answers used the context and data provided produced clear diagrams incorporated their diagrams into their written analysis developed points with clear chains of analysis provided a clear and supported judgement on the evaluate questions that offered something new and not just a summary of previous arguments provided accurate definitions. 	<ul style="list-style-type: none"> produced inaccurate diagrams and/or did not explain diagrams offered in the body of their response tended to assert rather than explain using chains of reasoning produced summative conclusions which simply repeated what had been said in the body of the response didn't 'compare' data wrote lengthy responses to Sections B and C that repeated points of previous arguments that didn't add value to the arguments already provided assumed all 'evaluate' questions require alternative solutions. This approach isn't relevant for some question types, e.g. Evaluate the impact.

Section overview

Section A proved to be accessible and there were few no response answers. The definition of competitive supply proved to be tricky with more candidates providing definitions of competitive demand. Centres should remind candidates of the importance of accuracy and precision in the use of economic definitions especially those taught at the start of the course.

Question 1 (b) caused some challenges where candidates did not recognise that the main problem identified in the context was disequilibrium in the housing market. Few responses achieved the full 4 marks.

In Question 1 (c) (i), most candidates were able to correctly calculate the percentage change highlighting the rewards of centres practising this key skill. Candidates were rewarded for either of two approaches, using the figures from Fig. 1 as requested by the question or using the figures quoted in the text lines 1-2. Most candidates scored 2 marks on this question

In Question 1 (c) (ii), many candidates demonstrated the ability to interpret quantitative data well for this question. However there still are many candidates who miss the 'compare' aspect of the data and proceed to describe the data rather than provide comparisons between the data sets.

The level-based questions also proved accessible, and levels of response were awarded for the development of logical chains of reasoning and depth of analysis.

Option overview

This section of the paper requires candidates to use a diagram as part of their response for Question 2 and Question 3. It is more usual for candidates to use a diagram in support of their analysis. To be placed in Level 3, the diagram offered must be predominantly correct and integrated into the candidate's analysis. Minor errors in the diagram will be ignored by examiners, but errors which impact on the validity of the analysis are likely to mean that responses are placed in Level 2 at best.

Section B

Slightly more candidates answered Question 2 than Question 3. Responses to Question 2 need to be focused on the benefits to the consumer not the producer. Responses to Question 3 raised some misconceptions related to the nature of demerit goods and their relationship with negative externalities which centres are advised to focus on in their delivery of the specification. Many students see these concepts as one cause of market failure rather than two related, but separate, theoretical concepts.

Section C

Many more candidates answered Question 4 than Question 5. State Provision was generally well understood by most candidates but a significant few confused state provision with public goods. In Question 5, good responses referred to both occupational and geographical immobility. There was however misconception in that some candidates couldn't distinguish between labour mobility and labour flexibility, believing they were one and the same.

Question 1 (a)

1

(a) Explain what is meant by 'competitive supply'.

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..... [2]

Many candidates did not provide a clear definition, often providing definitions of competitive demand or joint supply.

Question 1 (b)

(b) Explain, using an appropriate diagram, the situation in the housing market described in **lines 1–3**.

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..... [4]

Most candidates achieved the 2 diagram marks on this question. However, many did not recognise that the shortage in supply (disequilibrium) was causing the increase. Some candidates incorrectly illustrated the shortage with a shift inward of supply.

Question 1 (c) (i)

- (i) Calculate the percentage change in average house prices between August 2020 and August 2021.

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..... [2]

Most candidates correctly calculated a percentage change. There were two approaches to gaining the marks this year: via the quantitative data in Fig. 1 and via the text lines 1-2.

Question 1 (c) (ii)

- (ii) Compare the trend in average house prices and rental prices between 2015 and 2021.

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..... [2]

Two clear comparative statements were required for 2 marks. Most candidates were able to access both marks.

Question 1 (d)

- (d) "A change to legislation in 2021 means that planning permission is no longer required to convert commercial buildings...into homes." **Lines 9–11.**

Evaluate, using evidence from the stimulus material, the effectiveness of reducing regulation, such as planning permission, in order to increase the supply of housing and tackle the shortage of housing in the UK.

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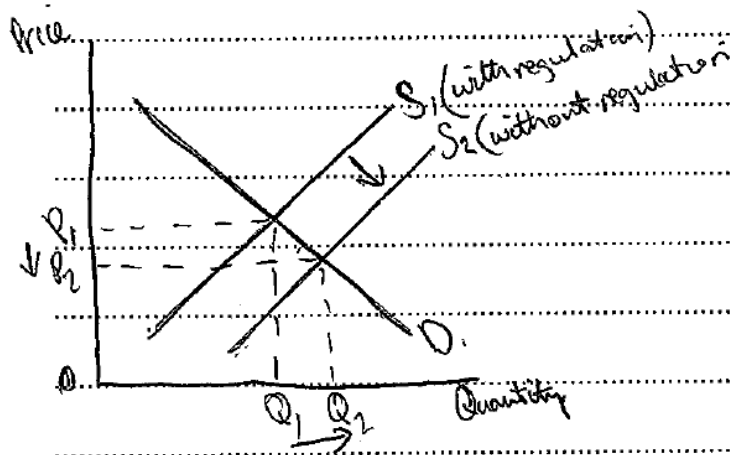
..... [8]

Candidates were required to explain why supply would increase rather than just state that it would. Providing clear, developed chains of reasoning are key to success in this question. In the evaluation, candidates needed to consider the factors that influenced whether supply would increase, or factors that meant an equilibrium in the marketplace was still unlikely to be reached. For example, the quantity of houses might increase but whether the shortage persists depends on affordability/availability of infrastructure. Many candidates identified problems such as lost commercial buildings or lack of infrastructure but did not use these points to explain why this would not reduce the shortage.

Candidates are required to provide a balanced discussion with a clear judgement. The question directs candidates to use evidence from the stimulus. This should be more than just copying from the extract.

Exemplar 1

Deregulation is a form of government intervention used to decrease costs of production in the hopes of increasing supply.



If regulation is decreased costs of production for the firm will decrease meaning due to there being no administration costs of acquiring planning permission. This will

result in supply shifting to the right from S_1 to S_2 meaning output will increase thus helping tackle the shortage of housing. As well as this prices are likely to decrease as the lower costs can be pushed onto consumers via lower prices. With less regulation it decreases barriers to entry and therefore may incentivise firms to enter the market increasing overall supply.

However, deregulation may ~~also~~ not be sufficient in tackling the shortage of supply if demand is much greater.

In Exemplar 1, this candidate achieves strong analysis as there are more than two chains of reasoning that link and explain how deregulation reduces barriers to entry, so reduces costs, which increases incentives, which increases supply (illustrated with a correct diagram) and then links back to explain how this will address the shortage.

Question 1 (e)

- (e)* Evaluate, using evidence from the stimulus material, the extent to which the UK housing market can be considered to be an oligopoly. [12]

Many candidates demonstrated good knowledge and understanding of oligopoly but ignored the demands of the question which required them to use evidence from the stimulus material. The key to success in this question was to explain, using evidence how the housing market meets the characteristics of oligopoly and why it doesn't, rather than the advantages and drawbacks of oligopoly.

Exemplar 2

However, the UK housing market don't meet ~~to~~ all the requirements to be classed as an oligopoly. This can be seen in Fig 2. There are too many firms with too little market share to be classed as an ~~etc~~ oligopoly. Especially when multiple other housing firms only own ~~a~~ 57% of market share collectively. Which concludes how ~~on~~ the UK housing market doesn't meet the requirements of a oligopoly. Oligopolies are normally profit maximisers, where $MR=MC$, which is difficult to achieve supernormal profits in a market ~~where there~~ ~~are~~ where there are multiple firms ~~with~~ with minimal market share.

In Exemplar 2, this candidate achieved good evaluation for arguing why the housing market may not be an oligopoly. The candidate used developed chains of reasoning and there is clear reference to the extract. There was no judgement however, so strong evaluation cannot be given.

Question 2

- 2*** There are more than 10 million dogs in the UK, with 34% of UK households owning a dog. In 2023, demand for the services of dog walkers increased in the UK. Dog walkers operate in a monopolistically competitive market, similar to that for hairdressing and painting and decorating.

Evaluate, using an appropriate diagram(s), whether monopolistic competition benefits consumers.

[25]

The successful responses recognised that the focus on this question was on benefits to consumers, not benefits to the producer. Any references to efficiency needed to be linked back to consumers. Many candidates were able to accurately draw and distinguish between the short run and long run diagrams and it was pleasing to see lots of application to the example industries provided in the stem or other relevant examples. A small number of candidates, having correctly drawn the relevant diagram did not integrate the diagram(s) in their analysis so the marks were capped at Level 2. The best responses used diagrams to explain the benefits to the consumer or recognised the idea of product differentiation and choice. This was followed by an evaluation of the drawbacks to the consumer, e.g. high prices due to lack of allocative efficiency, lack of supernormal profits in the long run. Following the evaluation the most successful responses provided a clear judgement considering the factors that would determine if consumer benefits could be realised and situations where the benefits outweigh the drawbacks.

Misconception



Monopolistic competition is not the same as Monopoly competition.

In Monopolistic competition there are many buyers and sellers in a market with low barriers to entry and exit. In Monopoly competition there is a sole seller and high barriers to entry and exit.

Question 3

- 3*** In March 2020 the Welsh Government introduced a minimum price for alcohol of £0.50 per unit. According to the minimum pricing formula in Wales, a 70 cl bottle of vodka priced at £9.75 in England would have to be sold at a minimum price of £13.12 in Wales.

Evaluate, using an appropriate diagram(s), the likely microeconomic effects of such minimum prices. **[25]**

A large majority of candidates were able to correctly draw the minimum price diagram and recognised it will be imposed above the equilibrium price and would result in excess supply. Many candidates also linked the minimum price to the reduced negative externalities associated with overconsumption of a demerit good. Good responses drew both a minimum price diagram and negative externality of consumption diagram or demerit good diagram. Several candidates however used terminology incorrectly. Centres should make sure candidates are aware of the difference between demand and quantity demanded or supply and quantity supplied.

Some candidates did not read the demands of the question correctly and focused on the effectiveness of the minimum price rather than the microeconomic effects and impacts. Centres are encouraged to make sure candidates understand the demands of different question types. In this question, arguments about alternative solutions were not valid as they did not address the question.

Exemplar 3

The effect may depend on the size of the discrepancy between the free market ^(FM) equilibrium price and the new minimum price. If the minimum price is significantly higher than the FM price, consumers may go to more effort to avoid it, making it useless. Whereas if it is less significant, the government may be able to achieve their goals for the strategy whilst avoiding Welsh people undermining it.

The response in Exemplar 3 was given full marks. In the extract there is evidence of a clear judgement. Before this point the candidate had argued that the negative effects included costs of enforcement and issues with cross border shopping for which they achieved good evaluation. The candidate then continues to consider the factors, i.e., size of minimum price relative to equilibrium price, that will determine the overall impact of the imposition of the minimum price.

Assessment for learning



Candidates find making and supporting a judgement challenging under examination conditions. Centres are advised to provide opportunities in the delivery of the content of the specification for candidates to practise making judgements. Useful starting points for judgements might include the following prompts:

- what does the balance of arguments depend on?
- what might change the balance of arguments in favour of one side or the other?
- how might the balance of arguments change over time?
- what might change to affect the balance of arguments?
- how might the advantages/disadvantages be made more significant?

Question 4

- 4*** In May 2023, NHS waiting lists for routine hospital treatment rose to 7.42 m, the highest figure since records began in 2007.

Evaluate whether healthcare should be provided by the government.

[25]

Many candidates chose this question and many correctly identified the underconsumption of healthcare as a merit good. This proved a very accessible question and there were no problems for candidates in providing arguments both for and against state provision of healthcare. There were however a surprising number of candidates who lost focus of the question and talked about the market failure of a monopsonist employer.

Many candidates incorrectly believe that the market failure of merit goods is underconsumption due to positive externalities as well as healthcare being a Public Good.

Misconception



A Public Good is one with characteristics on Non-excludability, Non-Rivalry and Non-Reject ability.

State Provision is where the Government provides a good or service to its citizens, funded by Tax Revenue.

Merit goods are different from goods with positive externalities. Merit goods are those where there is information failure – the consumer underestimates the positive impact on their own welfare of consuming the good. Positive externalities arise when the production or consumption of goods creates a positive spillover effect on third parties not involved in the consumption or production of the goods.

Question 5

- 5*** In recent years, labour mobility has not changed significantly in the UK. Governments seek to increase the mobility of labour using a range of policies.

Evaluate the impact an increase in labour mobility is likely to have on labour markets.

[25]

Not many candidates chose this question, but those who did were able to correctly distinguish between geographical and occupational mobility of labour. The best responses used this distinction to facilitate the argument that both are necessary to improve labour market mobility. Strong responses incorporated a wage elasticity of supply diagram into their analysis. Some candidates interpreted the question too broadly and instead analysed the causes and consequences of labour flexibility. This often resulted in responses evaluating the impact of zero-hour contracts and so these responses did not score well. A small number of candidates analysed the impact of trade unions as a cause of improved labour market flexibility, which was not the focus of the question.

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Question 4, © Adapted From Intra-EU labour mobility at a glance

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