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Examiners' report

A LEVEL

ECONOMICS

OCR Level 3 Advanced GCE in Economics

H460

For first teaching in 2019

H460/03 Summer 2025 series

Version 1

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Contents

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 responses 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 Teach Cambridge.

Paper 3 series overview

Most candidates found this an accessible paper and made good use of the extracts to support their responses. The vast majority answered all the questions and seemed to manage their time well. All students gained a large proportion of their marks from the multiple-choice questions, with higher scoring candidates sometimes gaining nearly full marks in this section. Candidates typing their scripts or using additional booklets should be reminded that they only need to write the question number by their response and not waste time rewriting the question. Similarly, some students started with descriptive introductions on the longer questions. At best, these gain knowledge and application marks, but these are usually repeated later in the answer and more successful responses embark straight away on a chain of analysis. Finally, candidates should understand whether the question is testing them on micro or macroeconomics. For example, some candidates answered Question 34, which asked for the effect on the tourism market in Manchester from a macro perspective referring to the whole economy. These responses were not focused on the question and as such even if they included solid economic theory were not able to achieve high marks.

Micro or Macro?
Paper 3 is a synoptic paper and the extract will include concepts from both parts of the specification. However, each question will either be referring to macroeconomics (the economy) or microeconomics (a particular market).

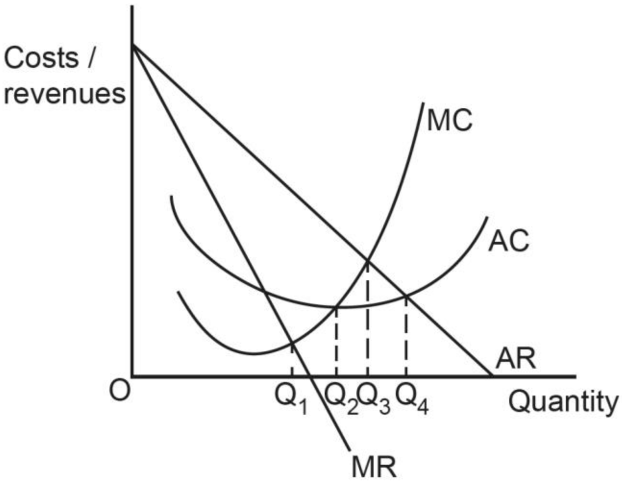
Candidates who did well on this paper generally:	Candidates who did less well on this paper generally:
• gained very high marks in the multiple-choice questions • used correct diagrams to improve their analysis • focused on the point of the question • used the extracts as a starting point for analysis • correctly used economic terminology and theory • understood basic economic concepts such as types of efficiencies or the short run Philips curve.	• included incorrect or inappropriate diagrams • missed or incorrectly labelled diagrams • rewrote, rather than used, information in the extracts • misunderstood basic economic concepts • missed the main focus of the question • rarely included theoretical responses.

Section A overview

Most candidates found the multiple-choice questions accessible this year, with the vast majority giving correct answers for more than half of them.

Question 1

1 Which point on the diagram represents productive efficiency for the firm?



A Q_1

B Q_2

C Q_3

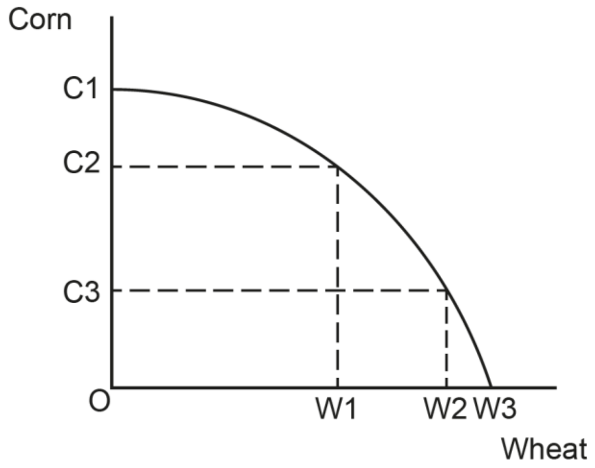
D Q_4

Your answer **[1]**

Most candidates answered this correctly.

Question 2

2 In the diagram what represents the opportunity cost of increasing production of wheat from W1 to W2?



A C1 to C2

B C1 to C3

C C2 to C3

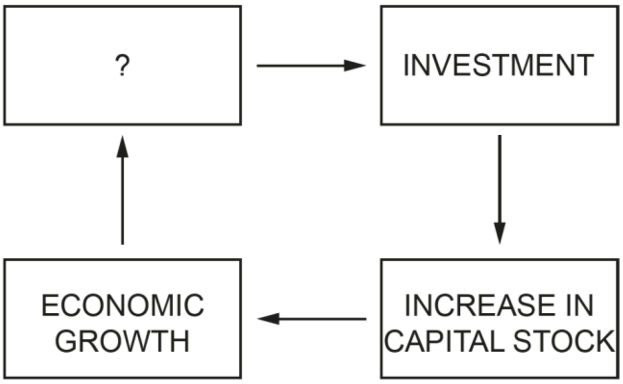
D W2 to W3

Your answer **[1]**

Some candidates found this difficult, incorrectly referring to a change in wheat rather than corn.

Question 3

3 What is missing from the Harrod-Domar model?



A Banks

B Exports

C Microfinance

D Saving

Your answer **[1]**

This question was answered well.

Question 4

4 The UK government imposes a tariff on imports of steel from Japan.
In retaliation the Japanese government imposes protectionist policies on UK firms.

What is a likely outcome for the UK economy?

A An increase in exports to Japan

B An increase in imports from Japan

C An increase in the consumer surplus in the steel market

D An increase in unemployment in UK exporting industries

Your answer **[1]**

Most candidates answered this question correctly.

Question 5

5 Country A is experiencing a long-term improvement in the terms of trade.
Country B is experiencing a long-term deterioration in the terms of trade.

What is the likely impact?

A An increase in inequality between country A and country B

B An increase in inequality within country A and within country B

C An increase in living standards in country B

D An increase in the number of exports country A needs to sell in order to buy the same quantity of imports

Your answer [ ] **[1]**

Many candidates found this question challenging, indicating that this is a topic that should be given more focus.

Question 6

6 Which of these are in joint supply?

A Beef and leather

B Carrots and potatoes

C iPhones and iPhone chargers

D Buildings and brick layers

Your answer [ ] **[1]**

There was some confusion here between joint supply and competitive supply.

Question 7

7 The price elasticity of supply (PES) of tomatoes is 0.2.
At a price of £2.40 per Kg the supply of tomatoes is 130 000 Kg.

What would be the new quantity of tomatoes supplied if the price of tomatoes increased to £3.00 per Kg?

A 132 600 Kg

B 135 200 Kg

C 136 500 Kg

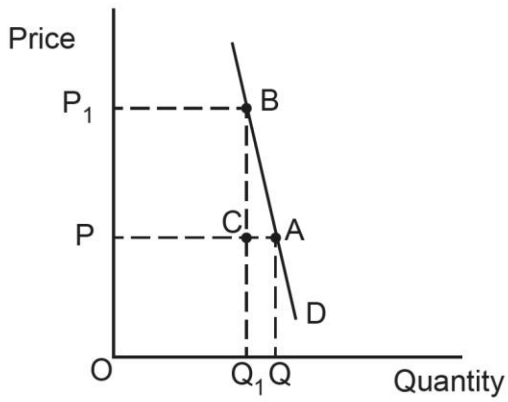
D 292 500 Kg

Your answer **[1]**

Surprisingly most candidates could not answer this question and could not rearrange the PES formula to get the correct answer.

Question 8

8 The diagram shows the price of the good increase from P to P_1.



What is the change in the total revenue for the firm?

A C B A

B P A Q O – P C Q_1 O

C P_1 B C P – C A Q Q_1

D P_1 B Q_1 O

Your answer **[1]**

Most candidates answered this correctly, but some missed that the question was asking for the change in revenue not the total new revenue.

Question 9

9 At what quantity of labour do diminishing returns set in?

Units of Labour	Total Product	Marginal Product
1	5	5
2	12	7
3	20	8
4	26	6
5	28	2
6	27	–1

A 3

B 4

C 5

D 6

Your answer [1]

Many candidates incorrectly indicated that this was where the marginal product was negative, suggesting that this topic needs more focus.

Question 10

10 When is a firm most likely to be x-efficient?

A It operates under monopolistic competition in the short run

B It operates under monopoly

C It operates under oligopoly

D It operates under perfect competition in the long run

Your answer [1]

Nearly all candidates answered this correctly.

Question 11

11 Which components of aggregate demand (AD) could a change in interest rates affect?

A C

B C + I

C C + I + G + (X – M)

D C + I + (X – M)

Your answer [1]

Most candidates answered this correctly, but some did not understand that interest rates will also affect government borrowing costs and tax revenue so may affect government spending.

Question 12

12 Which country has the highest terms of trade?

	Index of export prices	Index of import prices
Australia	110	108
Nigeria	84	92
Sri Lanka	106	97
UK	102	96

A Australia

B Nigeria

C Sri Lanka

D UK

Your answer [1]

This second terms of trade question was also poorly answered, indicating that more time needs to be spent by some centres teaching this topic.

Question 13

13 A firm increases the price of the good from £5 to £6.

Price	Quantity Demanded
£3	10
£4	9
£5	8
£6	7
£7	6

What is the marginal revenue as a result of this price change?

A £1

B £2

C £4

D £42

Your answer **[1]**

Many candidates incorrectly answered A to this question. They did not consider quantity demanded and just referred to the change in price.

Question 14

14 Workers spend 90% of an increase in their income.

What is most likely to explain this significant increase in their consumption?

A Interest rates will remain high

B The change in their income is temporary

C Their jobs will remain secure

D There will be deflation

Your answer **[1]**

This question was answered correctly by most candidates.

Question 15

15 What type of unemployment could be caused by the imposition of a minimum wage that is significantly higher than the equilibrium wage rate?

A Cyclical

B Frictional

C Real wage

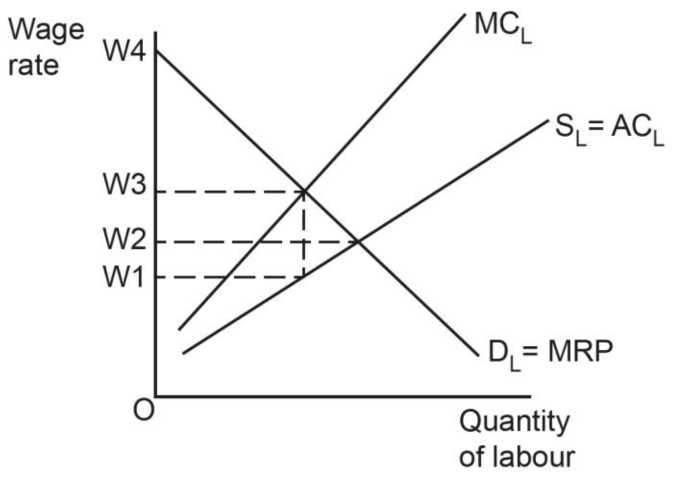
D Structural

Your answer **[1]**

Surprisingly most candidates could not answer this question correctly, indicating that real wage unemployment needs more teaching focus by some centres.

Question 16

16 On the diagram what is the wage rate that a monopsony employer will pay?



A W1

B W2

C W3

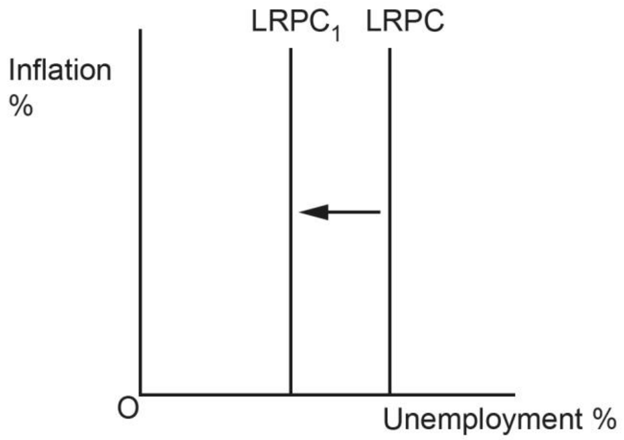
D W4

Your answer **[1]**

This question was answered correctly by most candidates.

Question 17

17 What could have caused the shift in the long run Phillips curve in the diagram?



A A fall in energy prices

B An increase in corporation tax rates

C An increase in emigration

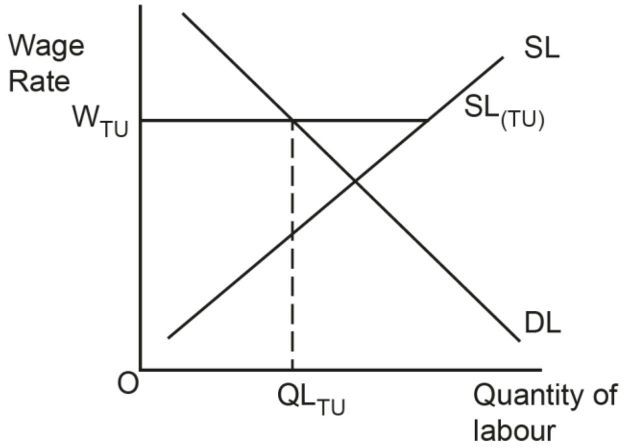
D An increase in spending on education and training

Your answer [ ] **[1]**

This question was answered correctly by most candidates.

Question 18

18 The diagram shows the effect of trade union activity on a labour market.



What assumption does the diagram make about the trade union?

A All workers and potential workers in the industry are members of the trade union

B The firm does not have an available capital substitute for the workers in the trade union

C The public are sympathetic to the cause of the trade union

D The trade union charges workers a fee to be a member

Your answer ☐ **[1]**

This question was answered correctly by most candidates.

Question 19

19 Which of these is an example of a supply side policy?

A A programme of quantitative easing

B Devaluing the currency

C Increasing income tax rates

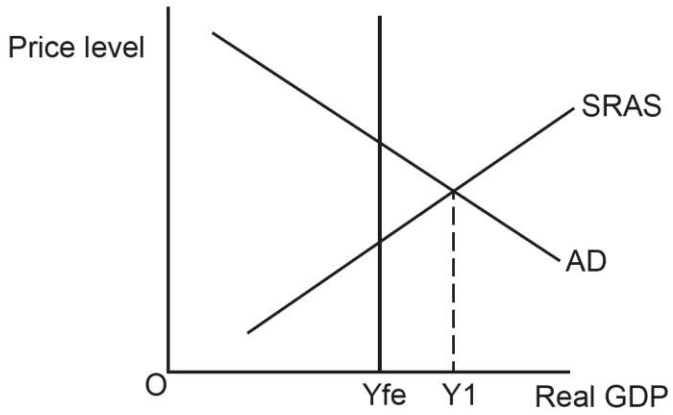
D Investing in infrastructure

Your answer ☐ **[1]**

This question was answered correctly by most candidates.

Question 20

20 What is a consequence of an economy operating with the output gap shown in the diagram?



A A fall in imports

B A fall in wage rates

C An easing in inflationary pressure

D A shortage of labour

Your answer **[1]**

This question was answered correctly by most candidates.

Question 21

21 Which of these characteristics would be found in a perfectly contestable market in the long run?

A	High entry barriers	Normal profit
B	Many firms	Supernormal profit
C	No entry barriers	Normal profit
D	Supernormal profit	Low entry barriers

Your answer **[1]**

There was some confusion with this question, with candidates forgetting that perfectly contestable markets have no barriers to entry.

Question 22

22 A teacher leaves their £40 000 per year job to start a business.
In the first year the business makes £80 000 in revenue and incurs costs of £50 000.
The teacher used a property that they owned as their business premises.
The property was previously rented out for £12 000 per year.

What was the economic profit for the first year of the business?

A – £22 000

B £18 000

C £30 000

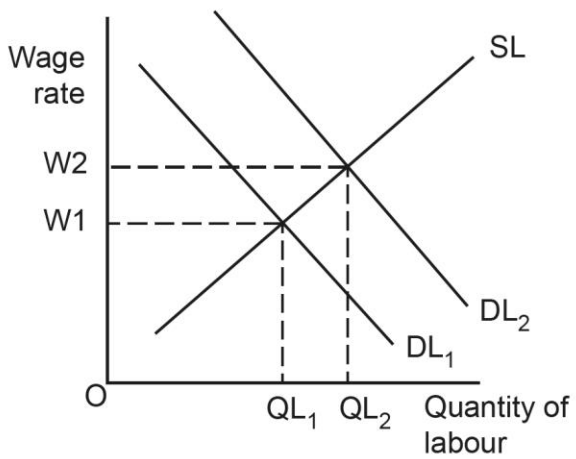
D £58 000

Your answer **[1]**

This question was answered correctly by most candidates.

Question 23

23 What is the most likely cause of the change in the labour market shown on the diagram?



A A fall in demand for the good the labour produces

B An increase in the productivity of workers

C An increase in the wage rate in a related labour market

D A reduction in the entry barriers faced by workers to enter the market

Your answer **[1]**

Not many candidates could answer this question correctly, indicating that they did not understand the factors affecting the demand for labour.

Question 24

24 According to neo-classical economists, what is the most effective way to increase long run aggregate supply (LRAS)?

A Increasing government current expenditure

B Increasing spending on education and training

C Lowering indirect tax rates

D Lowering the rate of interest

Your answer ☐ **[1]**

Some candidates incorrectly answered C to this question, maybe confusing indirect and direct taxes. Lowering corporation tax is a supply side policy but this is a direct tax.

Question 25

25 What stage of the economic cycle was the UK in between Q3 2008 and Q3 2009?

A Boom

B Recession

C Recovery

D Slowdown

Your answer ☐ **[1]**

This question was answered correctly by most candidates.

Question 26

26 If a government operates a fixed exchange rate system it might encounter which of these problems?

A A conflict of objectives when setting monetary policy

B A loss of revenue from the removal of tariffs

C An increase in uncertainty leading to a fall in international trade

D An increase in uncertainty leading to a fall in investment

Your answer ☐ **[1]**

This question was answered correctly by most candidates.

Question 27

27 Which characteristic of a firm operating under conditions of oligopoly is **not** also a characteristic of a pure monopolist?

A The firm is a price maker

B The firm is productively inefficient

C The firm may engage in non-price competition

D The firms may make a supernormal profit

Your answer ☐ **[1]**

Nearly all candidates answered this question correctly.

Question 28

28 In 2021, the population of Argentina was 45 million and GDP was $485 billion.
In 2022, the population increased by 1% and GDP rose to $499.95 billion.

What was the increase in the GDP per capita from 2021 to 2022? Round to the nearest whole number.

A – $678

B $90

C $222

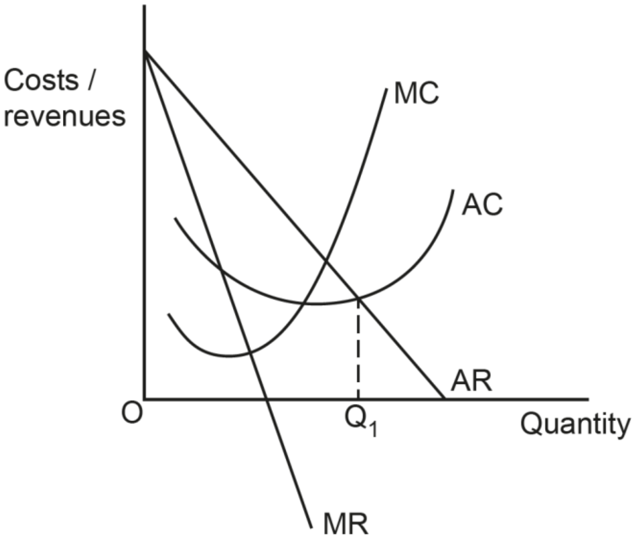
D $332

Your answer **[1]**

Most candidates could not answer this question correctly.

Question 29

29 If a firm is operating a quantity of Q_1 which objective is it most likely pursuing?



A Corporate social responsibility

B Profit maximisation

C Sales revenue maximisation

D Sales volume maximisation

Your answer **[1]**

Most candidates answered this question correctly.

Question 30

30 The financial regulator increases the reserve ratio imposed on banks.

How might this affect market interest rates?

A They might decrease as banks are likely to try to attract more borrowers

B They might decrease as households are likely to save less

C They might increase as households are likely to hoard cash to maintain their liquidity

D They might increase as the supply of loanable funds provided by banks are likely to fall

Your answer ☐ **[1]**

Nearly all candidates answered this question correctly.

Section B overview

Most candidates gave responses that indicated that they found the questions and extracts accessible. There is a lot of information in the extracts and candidates who scored highly used this as a starting point of their analysis or to help them ascertain which economic theory to use. It is 'stimulus material' and as such should stimulate the use of appropriate theory. Less successful responses simply copied out what was in the extract.

Question 31

31 Using the data in **Fig. 1.1** and information in **Extract 1**, calculate France's national debt in 2022 in US Dollars ($).

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.... **[2]**

This question was well answered, but some candidates could only be given 1 mark as they did not include units or $.

Question 32

32 Explain, using an appropriate diagram, the impact on the French labour market of an increase in the pensionable age.

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.... **[4]**

This question was answered well and most responses included a correct diagram. There were marks missed by some for not referring to the change in equilibrium.

Diagrams

When using a diagram, always refer to the change in equilibrium.

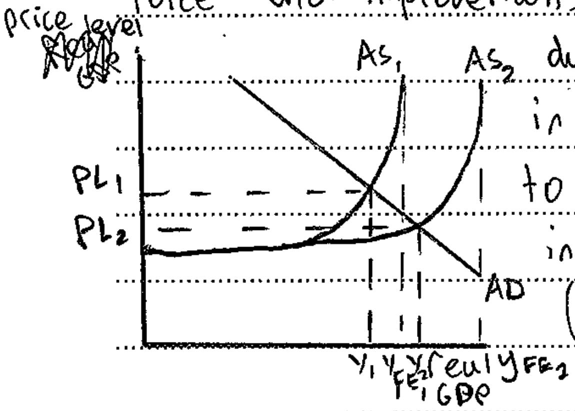
Question 33*

33* Evaluate, using the information in **Extract 1**, whether raising the pensionable age in France will benefit the macroeconomy. **[15]**

This question was well answered by many candidates who linked the information in the extract to macroeconomic objectives. A clear route to strong analysis was to explain the increase in the labour resource and link it to LRAS, an increase in potential economic growth and reduced inflationary pressure. Some candidates assumed that unemployment would fall, where in fact it would be likely to increase as the number of economically active people increased. There were also a lot of responses that jumped straight to an increase in output without explaining why. Very few candidates identified that the success largely depended on the level of spare capacity in the economy.

Exemplar 1

Raising the pensionable age in France from 62 to 64 could result in economic growth as a positive for the macroeconomy. The policy would lead to "a larger labour force" and "improvements in labour market flexibility". This is



due to an increased ~~retirement~~ pensionable age resulting in less people retiring each year leading to increased size of workforce, shown in the right shift in aggregate supply ($AS_1 \rightarrow AS_2$), meaning there will be a greater productive capacity in the economy ($Y_{FE} \rightarrow Y_{FE_2}$). ~~AS there is an expansion in demand AD Rea real GDP will increase~~ This can also lead to reduced inflationary pressures ($PL_1 \rightarrow PL_2$), since firms aren't competing over labour as much as before, resulting in lower costs to production and therefore lower prices. Lower prices could result in an extension in AD, and an increase in real GDP as there is now more being produced in the French economy. Therefore, as well as lower inflation, long-run economic growth could be achieved.

This part of this candidate's response shows strong analysis. It has clear use of economic theory to answer the question. They clearly link back to the macroeconomy at the end of the paragraph.

Assessment for learning

Students should be encouraged to annotate the question, finding the end of the question that they need to link back to in their responses.

Question 34*

34* Evaluate, using an appropriate diagram(s) and the information in **Extract 2**, the impact on the tourism market in Manchester of the introduction of a specific tax on providers of tourist accommodation. **[15]**

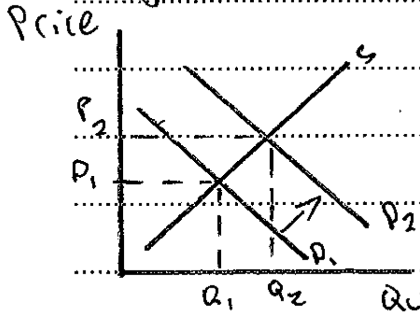
The starting point for this question was to use a diagram to show how the tax would increase the cost of production and thus decrease supply for tourist accommodation in Manchester. A number of candidates could not do this and confused it with a shift in demand. Stronger responses developed their answers further by referring to price elasticity and the effect on revenue. The key was to focus on the tourism market in Manchester. Unfortunately, some candidates drifted off the point of the question and discussed the UK balance of payments and tourism industry as a whole or the effect on Manchester residents.

Exemplar 2

The introduction of a specific tax on providers of tourist accommodation could reduce the number of visitors to Manchester. Tourists having to pay £1 per room per night can lead to a left shift in supply of rooms ($S \rightarrow S_2$(+tax)), since ~~it is~~ there are now greater costs to those providing accomodations. This can lead to a contraction in demand for tourism to Manchester, with higher prices ($P_1 \rightarrow P_2$), and reduced quantity ($Q_1 \rightarrow Q_2$). Therefore, ~~increasing~~ the policy could lead to reduced tourism in Manchester, as tourists are put off by the higher prices caused by the tax on accomodation.

However, ~~the~~ as Annie Brown says, the £1 per night tax is not offputting to visitors and is small compared to other European cities. Therefore, the tax may not actually cause a contraction in demand unless demand for tourism in Manchester is highly elastic, which is unlikely, ~~to make~~ since a difference in ~~demand~~ price of £1 per night is unlikely to impact whether people choose to go to Manchester.

Furthermore, the estimated revenue from the tax of £30 million could ~~base~~ be used to improve the visitor experience to Manchester as Annie Brown says. Funding for future events and festivals could lead to increased ~~demand for~~ tourism in Manchester as these boost visitor experiences and attract further tourism, shown by the right shift in demand ($D_1 \rightarrow D_2$).



Therefore the addition tax revenue gained could offset the disincentivising nature of increased price of accomodation, by providing a greater tourist experience.

Overall, the £1 per room per night is a ~~good idea~~ positive policy for Manchester's tourism market as the benefit from the tax revenues outweighs the unlikely reduction in tourism. The reduction in tourism may be experienced in family holidays or tourism with large groups and extended times as they may have to pay the tax for multiple rooms and days, disincentivising their tourism.

This response shows how clear use of simple demand and supply analysis can help a candidate to gain full marks. Diagrams were correct and fully integrated and the response was focused on the effect on the Manchester tourism market.

Question 35

35 Using the data in **Fig. 2.1**, explain what has happened to tourist revenues as a share of total exports in the UK from 2015 to 2018.

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.... **[3]**

This was mainly well answered, although some candidates provided a description of data rather than answering the question.

Question 36

36 Explain, using the data in **Fig. 3.1**, whether the short run Philips Curve holds in France between 2017 and 2022.

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.... **[3]**

Mostly, candidates did understand the short run Phillips curve, but there were two mistakes frequently made. Firstly, candidates did not specifically refer to data to prove their answer. The question asks them to use the data in Fig 3, so specific years and data should be referred to. Secondly, some candidates referred to a basic inverse relationship between inflation and unemployment rather than the change in these variables, i.e. a reduction in unemployment causing an increase in inflation. For this reason, correct responses needed to refer to data between two time periods.

Question 37

37 Evaluate, using an appropriate diagram(s) and the information in **Extract 3**, whether monopolistic competition such as that which exists in the restaurant market in Paris can be efficient in the long run.

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.... **[8]**

Few candidates answered this question well and it appeared that many did not know the different types of efficiencies. A common mistake was to draw a short run diagram showing super normal profits, when in the long run, only normal profit is made. Candidates only needed to discuss one way in which these firms were efficient and one way in which they were inefficient. A logical route to success would be to show a lack of productive or allocative efficiency and counter argue this with reference to x efficiency or maybe dynamic efficiency using super normal profits saved up in the short run. This is a good example of a question where solid use of theory is needed to succeed rather than vague discussions of the level of competition repeating information already given in the extract.

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