

**A LEVEL**

**Examiners' report**

# **ECONOMICS**

**H460**

For first teaching in 2015

**H460/02 Autumn 2020 series**

## Introduction

Our examiners' reports are produced to offer constructive feedback on candidates' performance in the examinations. They provide useful guidance for future candidates.



Reports for the Autumn 2020 series will provide a broad commentary about candidate performance, with the aim for them to be useful future teaching tools. As an exception for this series they will not contain any questions from the exam paper nor examples of candidate responses.

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.

A full copy of the exam paper and the mark scheme can be downloaded from OCR.

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## Paper 2 series overview

This was the first sitting of the revised specification, A Level qualification in Economics. This paper, although with a reduced number of candidates still discriminated well with a wide range in the quality of responses. There did not seem to be any candidates who appeared to have problems with timing, with all being able to write full responses to both the compulsory and optional questions. In the main, subject knowledge was strong, although for Section A, the directive in the question of 'using the stimulus material' was often ignored and so candidates were not given the marks available. In response to essay questions, stronger candidates were able to deploy the economist's toolkit of concepts and theories to great effect. Diagrams were generally well used in Section B and provided useful development of responses to Section C questions; good use of AD/AS analysis was present in the stronger responses, with correctly labelled and fully integrated diagrams. Weaker responses tended to be descriptive and general and candidates did not always recognise the economic concepts, which could be used to deepen their responses. Candidates should focus on the question set and refer to it while they are writing their response to make sure they have kept to the question. There were still several candidates (like last year) who rely on the diagram to explain itself. It is crucial when the questions states 'using a diagram' the candidate does that and fully explains the diagram, it is the only way they can access the top marks. The overall quality of candidates' responses in the main was pleasing.

<i>Candidates who did well on this paper generally did the following:</i>	<i>Candidates who did less well on this paper generally did the following:</i>
<ul style="list-style-type: none"> <li>• Made good and consistent use of the stimulus material.</li> <li>• Used fully integrated diagrams.</li> <li>• Made good use of structure, clearly making their point in the context of the question.</li> </ul>	<ul style="list-style-type: none"> <li>• Ignored the stimulus material.</li> <li>• Gave imprecise definitions.</li> <li>• Did not correctly label or explain diagrams.</li> <li>• Did not answer directly the question asked but tried to turn it into a response they wanted to write about.</li> </ul>

## Section A

The questions in this section were straight forward if candidates used the stimulus material.

### Question 1a

The causes of globalisation were mainly identified from the stimulus material, but several candidates gave other responses (mainly consequences of globalisation).

### Question 1b

This was generally answered well, although weaker responses generalised rather than make good use of the stimulus.

### Question 1c

There was a mixed range of responses to this question. The difference between short run and long run growth was not precisely explained and often when it was the stimulus was not used and hence marks were not given.

### Question 1d

Weaker responses confused budget deficit with a current account deficit.

### Question 1e

Generally answered well, although confusion of 'costs of production' see below and the benefit to the UK economy was not always made clear.

### Question 1f

There were some very strong responses to this question, where good use of the stimulus material was clearly used and a balanced response was given of why the gap may narrow and why it may not and then made a judgement. Weaker responses were often one sided lacking evaluation.

#### *Key point call out*

Q1e. Many candidates still confuse a reduction in corporation tax to lead to a fall in the costs of production. It should be made clear that the costs of production remain the same, a reduction in corporation tax means the firms will retain a greater proportion of their profits.

## Section B

Question 2 was the more popular of the two options in this section and there were some very strong responses, who fully integrated correct diagrams into their responses, giving a balanced view of how increased savings may harm an economy and how increased savings may not. Context and own knowledge were also evident. The stem relating to Denmark could also be used to make a judgement.

Stronger responses tended to focus on how an increase in savings would reduce consumption, and hence reduce AD and therefore lead to a fall in economic growth and then expanded that to show how it would also lead to a fall in employment. Other valid discussions explored how a fall in spending would discourage investment and lead to a fall in productive capacity and a fall in LRAS. The stronger counterbalance responses discussed how a fall in AD would lead to a fall in inflationary pressure, plus less spending may lead to less imports and improve the current account of the balance of payments.

Judgements were strong when they considered the amount of spare capacity, whether incomes were also rising and whether the increase in savings from 5.6% to 5.9% was significant enough to have much of an impact.

Question 3 was not as popular as question 2, but there were also many good responses to this. Stronger responses analysed how an artificially low exchange rate would encourage exports and reduce imports, hence increasing AD, with an appropriate well integrated diagram and how that would also potentially increase employment. Evaluation was often along the lines of demand-pull and cost-push inflation, and the impact of potential retaliation. Weaker responses did not fully understand the question and talked of fixed exchange rates and therefore, even though they had some valid points which were given their response lost direction. The weaker responses also did not use the economics toolkit or give correct integrated diagrams.

## Section C

Question 4 was chosen by most candidates and was generally answered well. The stronger candidates made good use of the laffer curve and how the optimum tax rate could be analysed from a reduction in tax revenue and an increase in tax revenue depending on the starting point. Evaluation could also be shown through the limitations of the laffer curve and if more consumer spending occurred tax revenue would increase through indirect taxation, which was valid. Weaker responses tried to adapt the question to say if the government increased indirect taxes or imposed more tariffs the revenue would not go down, which did not directly address the question. The laffer curve was used, but often not understood. There was also some confusion with direct and indirect taxes.

Question 5 was only answered by a few candidates. The candidate's responses indicate a mixed knowledge of microfinance. Stronger responses had a clear understanding of what it is and how it could increase incomes leading to the ability to spend on nutrition and education, and also how local employment could increase leading to further increases in income and hence promoted development. Evaluation often considered the effectiveness of microfinance and how the loan was spent and the problems with potential interest repayments and debt. Weaker responses did not clearly understand what microfinance was and hence could not relate it to development.

## Key teaching and learning points – comments on improving performance

### Section A

Candidates do need to use the stimulus material. Questions 1e and 1f also required evaluation, which was missing in some responses.

### Section B and C

The question set needs to be focused on. After each paragraph, the candidate should relate it back to the question to make it clear the point they are making. Better use of a clear structure could also have improved some responses. Section B diagrams must be correctly labelled and fully integrated into the response in order to achieve a top mark.

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