

**A LEVEL**

**Examiners' report**

# **ECONOMICS**

**H460**

For first teaching in 2015

**H460/03 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 3 series overview

Those candidates who performed well on the paper were able to draw on a strong understanding of a breadth of economic theory to secure high marks on the multiple choice questions and offer strong argumentation on the extended answer questions. However, gaps in the knowledge of several candidates, caused them to lose marks on recall questions in Section A and on occasion leaving questions unanswered in Section B. On the whole candidates are clearly comfortable with how to approach the level marked questions, offering a clear structure and often attempting to reach a judgement. While the stimulus material was generally well used, several candidates would benefit from a closer reading of the material to improve the relevance of their responses.

<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>• Applied knowledge of the breadth of the specification to the scenarios given in the multiple choice questions.</li> <li>• Used the stimulus material to provide the necessary context to responses in Section B.</li> <li>• Approached the level marked questions with a clear structure, reaching a supported judgement at the end.</li> </ul>	<ul style="list-style-type: none"> <li>• Demonstrated less detailed knowledge of the specification, resulting in several marks lost in recall questions in Section A.</li> <li>• Tended to not focus on the question at hand, particularly in the level marked questions.</li> <li>• Left one or more answers blank, either due to challenges with time management or a knowledge deficit.</li> </ul>

### Section A

Candidate performance was strongest on questions which tested their knowledge of key economic models or theories. On these questions most candidates arrived at the correct answer on topics covering the full breadth of the specification, from perfect competition (Question 15) to comparative advantage (Question 20) to the Human Development Index (Question 24). The exception to this was Question 12, where students seemed to lack understanding of the Marshall-Lerner condition. It was also pleasing to see most candidates answer Question 26 correctly, in doing so demonstrating their ability to apply their understanding of market failure to a real-world context.

As in previous series, candidates found the quantitative questions more challenging. This included questions which should have been accessible to those students who were comfortable with relatively standard theory, including diseconomies of scale (Question 13), how to calculate concentration ratios (Question 22) and use index numbers (Question 27). However, it was encouraging that most students secured the mark for calculating the multiplier in Question 18, a topic which has proven difficult in the past.


### Section B

#### Question 31

Most candidates were able to identify the relationship between national debt and the budget deficit but few were able to explain it. Centres are advised to remind candidates that they need to 'use' the data given in the figures rather than just quoting it.


### Question 32

Candidates who did not secure any marks on this question demonstrated a lack of understanding of the concept of capital expenditure in a macroeconomic context and instead described what capital as a factor of production represents. Candidates are reminded that in this paper it is crucial they use the stimulus material to support their responses – a number lost the second mark because they gave an example of capital expenditure that was not provided in the extract.

	<b>Misconception</b>	Not all expenditure on schools/NHS/police is capital expenditure. For example, increasing doctors' wages represents expenditure on schools but is current expenditure.
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### Question 33

There were several strong responses to this question which showed an impressive understanding of the debate surrounding how fiscal policy can be used to achieve economic growth, with a good use of the AD/AS model to support their responses. Candidates must make sure they read the question carefully – a small minority wrote an essay on introducing austerity rather than ending it.

	<b>Misconception</b>	Several candidates fell into the trap of offering generic analysis that ending austerity would be problematic because it is likely to cause demand-pull inflation. It is important that candidates read the extract carefully to understand the context in which the question is set – it is highly unlikely that austerity would be implemented in an environment when the economy is operating close to full capacity, which weakens this argument.
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### Question 34

Most candidates recognised that both water and electricity prices were increasing, some recognised that water prices rose by more than electricity prices, but very few were able to separate the impact on nominal and real prices.

### Question 35

Several candidates struggled with this question because they did not understand what was meant by the public sector. Those who did were able to identify the likely objective, with many pointing out that this differed the profit maximising behaviour likely to be seen in the private sector. Those who secured two or three marks were able to explain in greater depth what is meant by welfare/utility maximisation and/or why this is more likely to be the objective in the public sector.

### Question 36

Making better use of the extract would have helped candidates secure better marks in this question. The extract explained that these industries are monopolies; a good place to start this answer would have been to explain the harm private sector monopolies are likely to cause. Better responses considered the extent to which the industries being natural monopolies changed their conclusion, making powerful arguments that the lack of a profit incentive could lead to inefficiency that results in prices being no lower and quality no higher than if left to the private sector.

### Question 37

The causal relationship between air travel and carbon dioxide emissions was clearly identified by most candidates. A number were able to go beyond the basic relationship and question the closeness of it.

## Question 38

Most responses were well structured, typically setting out the benefits of limiting individuals to one return flight a year before going on to consider the harms in evaluation. In analysis candidates showed an impressive understanding of negative externalities but generally found the macroeconomic implications more challenging.

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

Most students answered Question 2 incorrectly, suggesting more focus is needed on the mechanics of and the relationship between the short run and long run Phillips Curve.

Despite a question of this nature being asked regularly, students continue to struggle to explain the difference between real and nominal prices (Question 34) and would benefit from more practice on this.

The Themes paper requires candidates to draw on knowledge from both micro and macroeconomics. Students would benefit from more practice answering questions which can be approached from both micro and macroeconomic perspectives – doing this for Question 38 would have enabled many to secure higher marks.

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