OCR

Oxford Cambridge and RSA

AS LEVEL

Examiners' report

ECONOMICS

H060

For first teaching in 2019

H060/02 Summer 2023 series

Version 1

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 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 2 series overview

This component contains three distinct sections:

• Section A - multiple choice questions

 • Section B – data response

 • Section C – an extended essay question selected from a choice of two.

All sections target assessment objectives AO1, AO2 and AO3 and quantitative skills. Section B contains one question targeting AO4. The essay question targets all assessment objectives.

Candidates who did well on this paper generally:	Candidates who did less well on this paper generally:
• used economic knowledge and terminology with precision • effectively integrated evidence from the data and question stems into answers • presented clearly labelled, dynamic diagrams which were analysed in the written part of the answers • developed chains of reasoning illustrating both cause and consequence in Question 16 (e) and the Section C answer • focused answers on the question set.	• used imprecise terminology • did not make effective use of the information presented in the case study and question stems • produced poorly labelled diagrams • did not make reference to the diagrams produced within the written work • presented a series of undeveloped knowledge points • produced one-sided answers to Question 16 (e) and the Section C question.

Section A overview

The 15 multiple choice questions in this section tested assessment objectives AO1, AO2 and AO3. The mark scheme provides explanations for each question to illustrate the correct answers and justifications for incorrect or distractor points.

Many candidates scored highly on this section of the paper showing an awareness of economic terminology and an ability to complete calculations. Questions 8, 10, 11, 13 and 15 assessed quantitative skills. Several candidates found these to be the more challenging questions within Section A.

Exam technique
As with the Microeconomics paper, some candidates missed marks in this section by providing responses which were unclear or questions unanswered.

Section B overview

This section of the paper consisted of data response questions related to information concerning UK government spending. Some candidates were not confident with respect to the terminology and data used within this material. This was particularly true with respect to understanding of the operation of the furlough scheme. Responses related to this area were frequently very confused.

UK government spending pushes debt to £2 trillion

The UK national debt has risen above £2 trillion due to spending to support the economy during the coronavirus pandemic. This comes mainly from the introduction of public health measures and new government policies to support businesses and individuals.

In July 2020, the Chancellor announced a package worth up to £30 bn, which includes plans to protect jobs, help younger workers and encourage spending. This includes the 'Job Retention Scheme', where struggling employers can put their workers on furlough. This means they temporarily stop working and the government pays them 80% of their wages, up to a maximum of £2500 per month. In most cases, the alternative would have been for the employers to make some or all of their workers redundant. Increases were also announced to some welfare payments for the unemployed.

5

10

A number of training initiatives have also been introduced to provide support for young workers. These include:

- the 'Kickstart scheme' which is a £2 bn fund to pay for six-month work placements for 16 to 24-year-olds who are on universal credit

- a £1000 grant for employers who take on a new trainee aged 16–24 with the aim to triple trainee numbers

15

- doubling the number of work coaches at Jobcentre Plus centres with extra help for young jobseekers

- £150 m for the 'Flexible Support Fund' which provides help for jobseekers.

Measures have also been announced to improve energy efficiency and infrastructure. These include £1 bn of grants to public sector organisations to improve energy efficiency and £50 m to improve the energy efficiency of socially rented homes. A £5.6 bn package of infrastructure measures was also announced, including hospitals, school buildings, transport and housing.
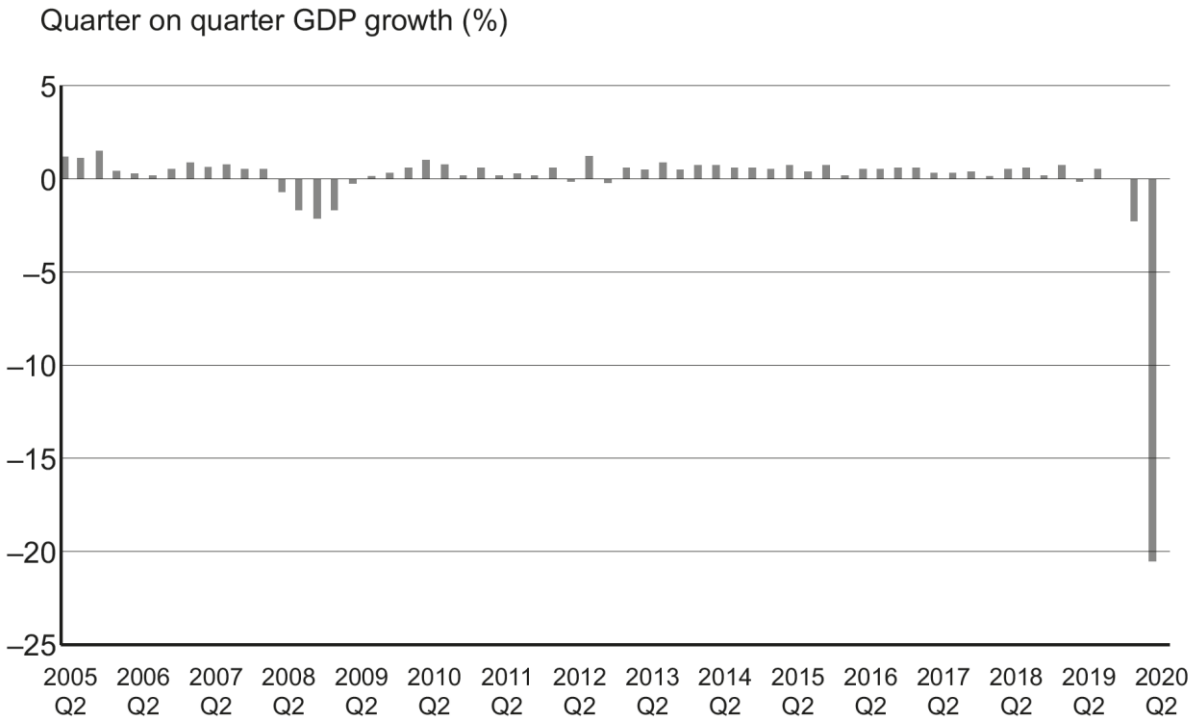
20

The sales tax (VAT) included in the price of food, accommodation and leisure attractions will also be cut from 20% to 5% until at least March 2021. Tax revenue has been hit hard by the pandemic as people and businesses earn and spend less.

25

Source: Adapted from bbc.co.uk/news, Summer 2020

Question 16 (a)

Fig. 1
UK Government Budget Deficit 2009–2020

*2020 data is up to July only

Source: ONS

16 (a) Using **Fig. 1**, explain the difference between the government budget deficit and the national debt.

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.... **[3]**

The most successful answers showed clear and precise definitions of the two terms. This question tested candidates' quantitative skills which was often the weakest part of the answers presented. The command to use Fig.1 to explain the difference was frequently ignored. Many candidates simply copied figures from the data.

Misconception

? Candidates had several misconceptions concerning the meaning of the term national debt. A noticeable number of candidates stated that the national debt was money owed to foreigners.

Question 16 (b) (i)

Fig. 2
UK GDP Growth (Q2 2005 to Q2 2020)

Quarter on quarter GDP growth (%)

Source: ONS

(b) (i) Using **Fig. 2**, explain at what stage of the economic cycle the UK economy was in Q2 2020.

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.... **[2]**

Most candidates provided a clear and correct answer to this question. The less able candidates stated that as growth was low the economy was in a slump.

Question 16 (b) (ii)

(ii) **Lines 9–10** refer to increases in welfare payments for the unemployed.

Explain **one** impact this may have on the supply of labour.

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.... **[2]**

Most candidates were correctly able to recognise that this would reduce the supply of labour. Supporting reasons related to incentives and the changing replacement ratio. The least successful answers stated that supply would increase due to higher wages.

Question 16 (c)

(c) **Lines 13–19** refer to a number of training initiatives announced by the UK government.

Using a diagram, explain what impact this is likely to have on long run economic growth in the UK.

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.... **[4]**

Most candidates were able to correctly draw a dynamic diagram to illustrate long run economic growth supported by explanations to show why LRAS would have an outward shift. A small number used an outward shift of AD to illustrate the increase in government spending.

Both Keynesian and Classical diagrams were acceptable. Supporting explanations explained the impact of training on productivity leading to a rise in productive capacity. The strongest candidates referred to coordinates on their diagram to support this explanation. Some candidates incorrectly presented SRAS diagrams showing a lack of understanding of this supply -side policy.

Exemplar 1

Using a diagram, explain what impact this is likely to have on long run economic growth in the UK.
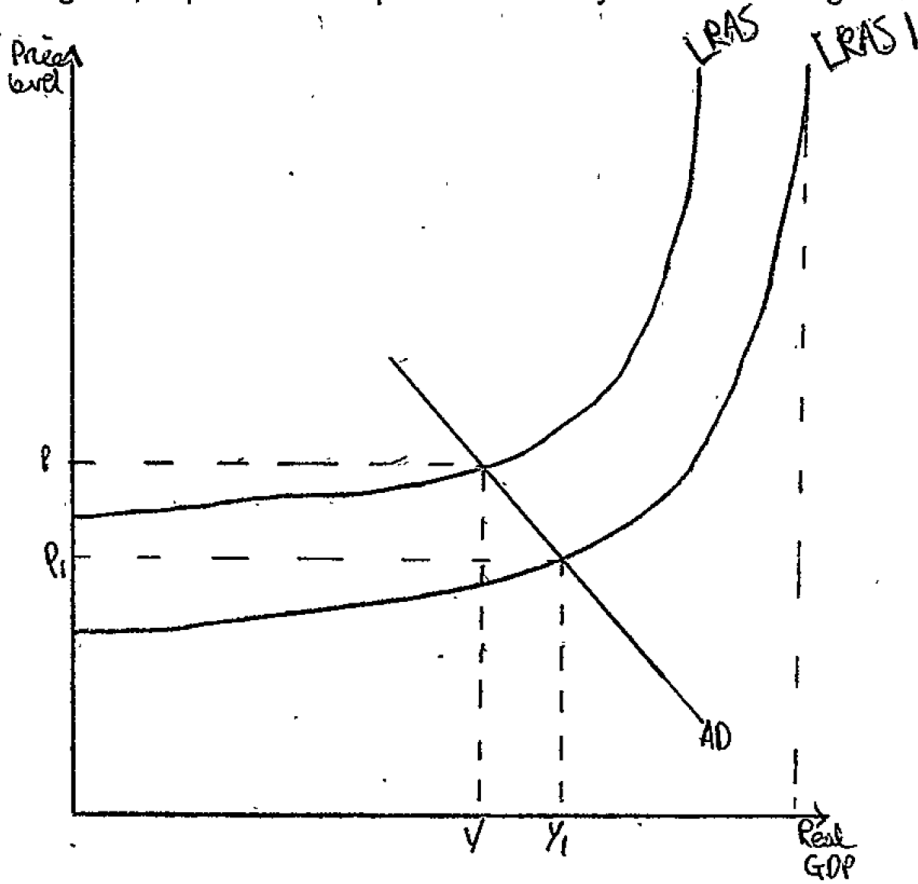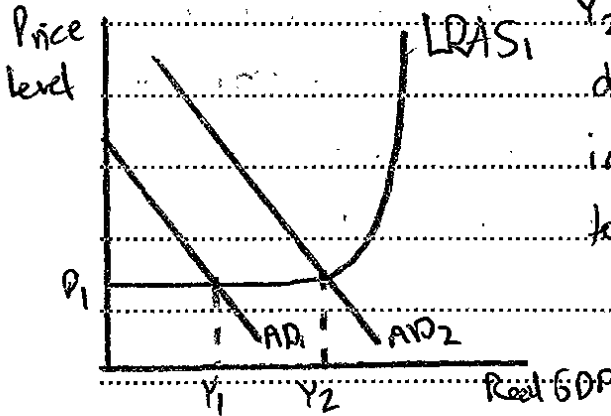

The training initiatives will cause a shift out in supply as m LRAS as there has been an investment in both quality and quantity of the labour force. This means the economy moves closer to full employment from Y to Y₁. [4]

By shifting the LRAS curve downward the candidate has added an extra dimension to their diagram, one which they have not recognised. This added complication suggests that they are not fully aware of the impact of supply side policies. 1 of the 2 available diagram marks was given. The written explanation shows awareness of the reason for the increase in LRAS but this is linked to full employment rather than growth as required by the question. A further mark was given for the explanation.

Question 16 (d)

(d) Using information from the case study, explain the difference between government current expenditure and government capital expenditure.

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.... **[4]**

These terms were not well understood by candidates. Several candidates were unable to correctly identify examples of each type of spending from the material supplied. A significant number of candidates gained half marks by stating relevant examples without defining the terms.

Question 16 (e)*

(e)* Evaluate how the change in income for employees placed on furlough may have affected UK consumption. **[10]**

The case study material explained that furlough meant some workers would have 80% of their wage paid for by the government as an alternative to redundancy. This explanation confused less able candidates who then analysed how this increase in income would lead to greater consumption. Some candidates were able to develop this point to gain some credit for awareness that consumption would probably have been much lower had redundancies occurred. More able candidates recognised the fall in income and that the impact would vary depending on a variety of other factors. Evaluation points varied from the expected duration of furlough to the level of wealth. The strongest candidates recognised the significance of the maximum level of furlough pay per month stated in the case material.

Exemplar 2

· to AD₂. This would result in an increase in real GDP from Y₁ to Y₂. Price level may not have increased due to the AD curve being far from the inelastic portion of the LRAS curve due to many & factors of production being under utilised. As firms received more revenue from these consumers, they may spend on employing more workers, & especially to receive the £1000 cash grant for employing 16-24 year olds. This would provide.

Diagram: A graph with "Price level" on the vertical axis and "Real GDP" on the horizontal axis. It shows a vertical LRAS₁ curve with an inelastic (upward-curving) portion, and two downward-sloping demand curves AD₁ and AD₂. P₁ is marked on the vertical axis, and Y₁ and Y₂ are marked on the horizontal axis.

> This candidate has incorrectly argued that furlough would increase consumption and this incorrect point is illustrated with a correct diagram. This response also illustrates another issue seen in this question. The focus of the question is the impact on consumption. However, this candidate has devoted a considerable amount of time within the answer to discussing the impact on growth, price, and employment. None of these points would gain credit within this question. Candidate should be encouraged to focus their answers on the requirements of the question asked.

Section C overview

Candidates were required to choose one essay. Each essay stem provides some context for the question which can be used to support candidates' responses. Candidates who used this material often produced more focused essays. Candidates should be encouraged to make use of relevant examples from their studies to add context to their responses.

Essay 17 was more popular with candidates than essay 18, being chosen by 66% of candidates.

Question 17*

17* The Central Bank of Australia's inflation rate target is between 2% and 3%.
In 2019, Australia's inflation rate increased from 1.3% to 1.8%.
During 2019, the interest rate in Australia was gradually reduced from 1.5% to 0.75%.

Evaluate, using an appropriate diagram(s), the effects of a change in interest rates on the
Australian government's ability to achieve macroeconomic objectives. **[20]**

Candidates were clearly confident in their understanding of this area of the syllabus, and many provided very lengthy essays supported by a variety of correct diagrams.

The strongest answers focused on the information provided explaining specifically the expected impact that a fall from 1.5% to 0.75% would be expected to have on the situation outlined for Australia. Such answers recognised the implications of lowering an already low interest rate in a country with low inflation rates. Very few candidates considered the implications for government tax revenues and spending of these changes. Those that did often provided very strong answers related to automatic stabilisers and the potential for government supply side policies.

Several candidates presented mirror arguments explaining first the expected impact of falling interest rates and then the impact of rising interest rates. Such candidates had a clear understanding of economic theory but were unable to apply that knowledge effectively to the situation presented.

Candidates should be encouraged to select relevant information and concepts to develop an evaluative essay focused on the specific question rather than repeat knowledge and theory.

Question 18*

18* Governments have a number of economic objectives that they would like to achieve in the long run.

In developing countries, such as Botswana, governments may need to focus on different objectives compared to developed countries.

In 2019, the unemployment rate in the UK was 4% whilst it was 18% in Botswana.

Evaluate, using an appropriate diagram(s), the effects of an increase in aggregate demand on macroeconomic indicators. **[20]**

This was the less popular choice of essay.

Candidates who scored highly in this question frequently introduced their discussion with a description of the main macroeconomic indicators in a country. This was followed by a clearly drawn and well labelled diagram illustrating an outward shift in AD. The diagram was then analysed to explain the possible impact upon growth, employment, and inflation with reference to points within the diagram. The strongest candidate developed their discussion to include possible balance of payments impacts linking their points to the differing situations of the two countries in the question stem, Botswana, and the UK. A wide range of points were presented and developed to support the discussion.

The less able candidates lost focus in their essay often becoming confused when attempting comparisons of the two countries. This sometimes led to detailed explanations of the benefits and costs of FDI with little reference to macroeconomic indicators other than growth.

Question focus

Candidates should be encouraged to make sure they focus their essays on the specific requirements of the question set. The strongest answers contain selected arguments that focus directly upon the requirements of the question. Such answers are concise and well-constructed . Candidates who produce lengthy answers that repeat theory with no evidence of selectivity, will not access the higher levels.

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Questions 16bii, 16c, 16d: UK government spending article, © BBC, from BBC News at bbc.co.uk/news

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