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# A-LEVEL ECONOMICS

7136/2 National and international economy  
Report on the Examination

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Specification 7136  
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## General Comments

This was the first sitting of the new AQA Economics specification for the national and international economy. It was pleasing to see that many centres had used the materials provided by AQA to equip their students with the necessary tools to meet the challenges provided by the 'new' types of questions. Although this is a new specification, it is impossible to avoid making comparisons with the old "ECON4" paper and it appears that there has been a smooth transition over to the demands of the new papers. It is also worth reminding centres that although this paper is seen as the macroeconomics paper, it is in fact synoptic, and may draw on any part of the specification. Further to this the most able students will often be drawing from their whole knowledge of economics to explain their arguments, particularly on essay questions.

The big change in terms of the marking of the papers, is the move to the levels based responses for most questions. The levels mark scheme moves away from the old "penny-point" system where students could sometimes gain marks without particularly focussing directly on the question. In the new system, marking is holistic and the whole response is considered before a judgement is made, which should sufficiently differentiate students upon their actual ability.

This year also saw the introduction of a four-mark question where students are asked to use the data to back up a proposition which did prove challenging for some students this first-time around. It is advised that centres use the exemplar materials available, along with the mark schemes and commentary to enable their students to successfully answer these questions. The move to linear A-Levels has also impacted somewhat on both teaching and learning this year which is evident in students' answers. Whilst the stronger learners have continued to provide answers which show in-depth, independent learning from outside the classroom, weaker students have struggled with the demands of having to retain information from two years of study.

Question papers are always designed to give equal access to students and provide opportunity to test any part of the specification, students invariably gravitate to one question or another based upon either topics they feel more comfortable with or areas they have found easier to understand. This year "Economic Development" was a new area introduced on the specification and this context was attempted by about a third of students whilst two thirds attempted the monetary policy and deflation context. In the essays, there was quite a close split between the first two essays with 42% attempting the first essay, 39% attempting the second and only 19% attempting the third.

In terms of advice for future exams, centres should also consider the Assessment Objectives (AOs) which are being tested by each type of question. Some students are evaluating or concluding questions on the 9-mark and 15-mark questions where AO4 is NOT being tested. This year some students have spent unnecessary time giving counter arguments to questions when more marks could have been gained if greater focus on the actual question had taken place. It is encouraging however, that most centres have continued to use the reports on the exams from the old legacy specification to develop their own teaching and helping their student's reach their potential.

## Context 1

### Question 1

This question appeared to be quite straightforward in asking students to calculate the mean growth rate for India based upon extracting information from a bar chart and dividing it by the number of years to gain an average. Four-fifths of students were able to do this, however, 10% of students

failed to include a percentage sign (%) and therefore did not gain the maximum 2 marks. It was also clear that some students did not have a calculator which impeded performance. The majority of students were able to gain full marks on this question despite this.

### **Question 2**

The first of the new style 4-mark questions asked students to explain why the data showed that India was becoming more economically developed and directed the students to use a particular extract to clarify their statements. More able students easily picked out issues such as life expectancy increasing and linked this to possible improvements in healthcare or GNI per capita rising which could be linked to increased consumption possibilities. Many students failed to fully explain the data or merely trawled the statistics which is not explaining *why* the data illustrates the proposition and therefore did not reach full marks. It was encouraging that almost three-quarters of students were able to pick up three or four marks on this question which demonstrates centres have been training their students well.

### **Question 3**

The 9-mark question now prompts students to use a suitable diagram to illustrate their answer. Without the use of suitable diagram, students' responses will be limited and although level 3 is achievable without one, it is unlikely that students will achieve it. Further to this, some students decided to begin by drawing the diagram which isn't necessary and often impeded responses rather than helping to illustrate the concepts being asked. This question was answered well by students who linked the export subsidy to increased supply or aggregate supply. They further identified the resultant increased competitiveness of export industries and linked this to rising aggregate demand and short-run economic growth. Diagrams used included increasing supply or AS and AD/AS diagrams showing rising AD caused by the rise in exports. All similar diagrams are suitable which is why the prompt allows flexibility in interpretation.

### **Question 4**

This question was based on the new specification topic area of development and asked students to use the context to decide whether India should embark on more "market-based" strategies to help development. This confused some weaker students who did not understand the term 'market-based' and some students were also unable to come up with suitable market-based strategies despite two examples (trade liberalisation and privatisation) being provided in the stem. Further to this, some students focussed solely on economic growth without considering the wider aspects of development. Having said this, many stronger students were able to provide examples from their wider knowledge and had also drawn on their learning in the classroom to provide detailed reasons as to why market-based strategies may help (or hinder) India's development prospects. 12% of students produced level 5 answers for this question.

### **Context 2**

### **Question 5**

The second context set of questions was far more popular than the first context which is probably explained by their familiarity with the topics being covered. Here, students were asked to calculate Japan's average inflation rate over a number of years. The question was straightforward however, the inclusion of some negative pieces of data confused some students. The mean score for this question was 1.55 which was slightly lower than its equivalent question from context 1 (1.73). Twice as many students failed to include the percentage sign (%) in their answer compared to question 1 although it is not clear why, which again limited them to 1 mark.

**Question 6**

This question asked students to back up the proposition that the UK's growth had been more stable than that of Japan. The easiest route to doing this was to consider the range of the data, however, some students attempted a trawl without directly considering what stability meant. It was also expected that students would identify the fact that the UK had maintained positive growth throughout the data whilst Japan's data showed they had achieved negative average annual growth rates in two of the years displayed. The majority of students scored 3 on this question. Some students who had obviously been influenced by the context analysed the inflation rates of Japan and the UK rather than growth rates which resulted in zero marks.

**Question 7**

Question 7 proved quite difficult for students to gain level 3 answers in comparison to the equivalent question on context 1. Students all too often relied on the diagram to analyse the concepts rather than explain the concepts in detail. There was also much more confusion with diagrams than in the previous legacy papers where students created hybrid micro/macro diagrams with incorrect labelling. Many students did not fully understand the concept of productivity or link it to costs and efficiency which impeded answers and many links to deflation were made by simply stating that the 'diagram' shows deflation rather than explaining why this may occur.

**Question 8**

Most students started this question well, correctly explaining the various tools of monetary policy and considering that alternatives such as fiscal policy. Students used the contexts well and many with recent knowledge quoted the current rate of inflation (released on the morning of the exam – 2.9%) as being nowhere near deflation and as a result evaluating that under the current climate, from the UK's perspective, deflation would not be seen as a priority to avoid. Some answers did fail to fully understand the monetary policy tools though. Many concentrated their answers on interest rates with little consideration of the exchange rate or Q.E. Some students also focussed on supply-side policy without considering this may worsen the problem. Stronger students correctly identified the type of inflation (malign or benign) and the differences in the UK and Japan's experiences as being key to the policy prescription. Almost 15% of students provided level 5 answers for this question.

**Essay 1****Question 9**

This question asked for methods by which the natural rate of unemployment could be reduced. Whilst most students began by clearly explaining what the natural rate was, it was clear that some students didn't understand the concept of the natural rate at all and embarked on answers which focussed on demand management. This was somewhat disappointing and surprising and highlights an area where some centres need to provide more focus. Having said this, many students were able to successfully use micro labour market diagrams to illustrate supply-side effects on labour markets to gain higher marks.

**Question 10**

Question 10 (along with question 9) proved a very popular choice amongst students although surprisingly the answers to question 10 were not as strong as they could have been. Most student began by explaining the trade-off between unemployment and inflation, often using short-run

Phillips curve diagrams to illustrate, however some did not understand why this occurred and merely stated that the diagram showed that it did. Most students considered potential trade-offs with trade but some students muddled this and all too often believed that lower unemployment made the economy more productive and improved exports. The most able students could correctly evaluate that it depended how the unemployment had been reduced or tackled the ‘inevitability’ of the events.

## **Essay 2**

### **Question 11**

This question, although appearing seemingly straightforward when set, was the worst answered of all the 15-mark questions. Although some students gave logical answers to the determinants of patterns of trade, some focussed on the causes of the trade deficit which was not being asked. Many considered trade volumes rather than who trades what with which nations. Good answers here included “tariff” diagrams to consider either the imposition or removal of tariffs affecting trade flows and trade diversion/creation arguments. An issue which was detected here which was slightly worrying was that some students are incorrectly labelling diagrams so that the axes often had price level and real national output/income instead of price and quantity. A minority of students attempted to evaluate this question which simply is not required in a 15-mark question where no AO4 marks are awarded.

### **Question 12**

Here students performed the best of all the essay questions. Most students were awarded a level 4 answer or above and were accurately able to give either suitable expenditure reducing, expenditure switching or supply-side possibilities to reduce the trade deficit. Most students accurately used diagrams and fully analysed the issues. One issue that was detected was that some students, when describing depreciation of currency was that some students do not understand how this can be done other than through interest rate manipulation. Often, students (correctly) identified the fact that lower interest rates could cause depreciation, however they failed to consider the full impacts of an interest rate fall on consumption and the possibility that imports may rise. Stronger students considered the UK’s position within the EU and the possibility that protectionism may be used in the future. Sadly, a very small minority of students still do not understand the difference between the balance of payments and the budget deficit which led to some very confused responses.

## **Essay 3**

### **Question 13**

Although this essay was least favoured by the students in terms of the amount who chose to attempt it, it provided the highest score out of the 15-mark questions. Many could accurately explain how government spending and taxation affected AD and AS and linking this to growth and economic activity. One area that could have been improved upon is where students often grouped taxation together rather considering the differing effects of increasing or lowering, for example, income tax compared to VAT. Diagrams were often used successfully with this question.

**Question 14**

Despite question 13 being answered well in comparison to the other 15-mark questions, question 14 proved more difficult for students than the other 25-mark essays. Although most could correctly identify the differences between indirect and direct taxation, many did not fully appreciate the possible labour market incentives or the possible impacts on inequality that these changes may have. A minority of students confused issues and discussed possible increases in direct taxation whilst some students ‘grouped’ taxation assuming, for example, reduced corporation tax had the same effect as reducing income tax. This led to some students scoring quite low marks in places and at the top end, far fewer students gained level 5 marks.

**Use of statistics**

Statistics used in this report may be taken from incomplete processing data. However, this data still gives a true account on how students have performed for each question.

**Mark Ranges and Award of Grades**

Grade boundaries and cumulative percentage grades are available on the [Results Statistics](#) page of the AQA Website.