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# A-LEVEL ECONOMICS

7135/2 The national economy in a global context  
Report on the Examination

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Specification 7135  
June 2017

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Version: 1.0

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## General Comments

Many students were well prepared for Questions 21 and 27 and provided a concise definition. Even where the definitions given were not correct or were incomplete, many students were able to achieve up to 2 marks by providing partial definitions.

When answering Questions 22 and 28 it was pleasing that in the majority of responses students set out their workings. This enabled the awarding of some marks even where there was an inaccuracy in the final answer. If the answer was clearly shown and correct, it was not necessary to consider the workings, however, for students who failed to arrive at a full correct answer the workings became significant for the awarding of marks. In some cases, these workings were poorly set out and difficult to follow which then prevented more credit being given. Common inaccuracies seen involved the omission of the £ or % sign or incorrect rounding.

When answering Questions 23 and 29, students have become well prepared at identifying two *significant* points of comparison. Significant points of comparison included comparing highest values in the two data series; comparing lowest values in the two data series; or comparing the overall trends in the values of the two data series. Some students selected random features of the data series with no indication that they understood its significance, or they selected a significant feature of one data series without giving the equivalent value of the other data series. Occasionally students selected features from the extracts which were not required, such as lending to business from extract A or the balance of total UK trade from extract D.

Both contexts required students to draw an AS/AD diagram to answer Questions 24 and 30, the majority of students were able to do this accurately and scored the full 4 marks.

When answering Questions 25 and 31, some students included one or two relevant definitions, however, it should be noted that students do not gain specific marks for definitions using the levels of response mark scheme for this question. Many students presented diagrams which were not relevant. The levels of response mark scheme refers to the inclusion of a *relevant* diagram. Diagrams should be relevant and used to support an explanation. It is a test of the critical skill of *application* to decide when a diagram will assist a written explanation and when it does not. Too often students included an irrelevant diagram and then wrote a paragraph which simply stated what the diagram showed, even though this was off focus and took them away from answering the question asked and so made poor use of the space provided and the time allocated.

In order to answer these questions, students first had to identify two relevant factors to explain. Students who scored well were able to identify and state their chosen relevant factors. The better answers also showed clear organisation of their answer into two distinct paragraphs, one for each factor identified. The questions required students to explain; this meant making a clear logical chain of reasoning, using relevant economic terminology, concepts and principles to present a clear analysis of that factor. Where this was done well, answers were focused and concise, where this was done less well answers tended to be poorly structured, overly long, off focus or repetitive.

Students' answers to questions 26 and 32 often showed too little application of any current data on the UK economy, as macro-economic performance indicators, for instance that the UK is experiencing a period of low unemployment and historically low interest rates; that it is has a narrowing budget deficit, or that it is has a persistent productivity gap. The better students are able to integrate these issues into their answers.

Greater use of data on the UK economy would enable students to better demonstrate the skill of application. Often this is a good way to lead on to better evaluation. Too often the attempted

evaluation is rehearsed and superficial which does not enable the student to demonstrate the good evaluation needed for level 4 and level 5. Better responses were able to reflect on the data in the context alongside their own knowledge of the UK economy and apply both to the question set.

### Context 1: Managing the UK economy

#### Question 21

Students who scored all 3 marks were able to demonstrate not only an understanding of interest, but also the *rate of* interest, i.e. that interest is paid as percentage of the sum borrowed (or earned as a percentage of the sum saved) and also that this percentage rate has to be considered in relation to the rate of inflation. A high number of students did not obtain full marks because they did not demonstrate an understanding of the term 'rate'. A good piece of guidance for students would be to consider all of the words in the phrase they are required to define. Some students spent too long on this question, given that the task was to define, perhaps keen to demonstrate the full extent of their understanding.

#### Question 22

It was pleasing that the majority of students seemed to have little difficulty with this calculation. This question was generally well answered and many students were awarded full marks. Some candidates were careless and omitted the pound sign, losing a mark. The majority of students attempted some sort of calculation with an understanding of how to calculate percentage change. It was interesting to note the large number of students who expressed £12.50 as £12.5, even though this is not conventional practice. A significant minority of students selected 20% VAT, having ignored or misunderstood the data given in extract C which they were required to use.

#### Question 23

It is highly recommended that students take care to consider the presentation of the data, the title, the key and the notes below the data when deciding upon the significant points. In this instance students needed to recognise that the data displayed the *annual percentage change* in consumer credit and mortgage lending. Many candidates did not recognise that the data shows *growth* in mortgage lending throughout the period. A significant minority of students failed to gain full marks because they simply referred to consumer credit and mortgage lending rather than the *annual percentage change* or *growth* of consumer credit and mortgage lending. This led them to make incorrect statements such as "the fall in mortgage lending over the period", when in fact the data shows that mortgage lending grew continuously throughout the period (all annual percentage changes shown are positive).

The majority of the comparisons made were the lowest values for the growth of consumer credit and mortgage lending and highest values. However, as previously noted, many candidates did not refer to *growth* of (or similar) and therefore were only awarded up to one mark per comparison. There was also a significant minority of students who were out of tolerance with the data or gave the wrong date. A small minority made reference to business lending, which was not required.

#### Question 24

This question was generally answered well, with many students obtaining full marks. The vast majority of students obtained at least one mark for the set-up of the diagram. There were a

number of two mark responses for a correct shift but incorrect labels. A small number of candidates included both AD and AS shifts.

### Question 25

There was a good spread of marks awarded for this question. The better responses clearly identified and stated two factors that influence the willingness of households to borrow. They then went on to develop clear logical chains of reasoning, using relevant economic terminology, concepts and principles to present a clear analysis of each factor.

A large number of students selected the rate of interest as a factor that influences the willingness of UK households to borrow. However the majority of them did not make the connection with the definition required in question 21 and discuss the *real* rate of interest. It was rather surprising that a significant minority of students then went on to identify “cheaper credit”, quoted from extract B, as the second influence without realising that this is essentially the same factor as the rate of interest, which they identified and explained first.

The majority of students chose to draw a diagram showing a rightwards shift in the AD curve due to increased household borrowing and consumption. In the vast majority of cases this did not help them to answer the question because it showed the *effect* of household borrowing, which was not relevant in answering the question which was essentially about the causal factors and not the effects of borrowing.

Weaker answers simply stated the factors, unable to develop sentences to amplify the point, or provide examples or application. Often weaker answers lacked focus and drifted onto the *effect* of an increase in household borrowing. Alternatively, weaker answers became repetitive and added very little to their answer from their repetition, for example, an answer that explains how a high interest rate discourages borrowing and then explains how a low interest rate encourages borrowing.

### Question 26

The majority of answers were able to identify appropriate monetary and fiscal policies to stimulate AD and facilitate a recovery, with a number referring to the extract and what has actually taken place in the UK to aid the recent recovery. The depth of the analysis varied widely. The best answers explained monetary, fiscal and supply side policies and their contribution towards a sustainable recovery. Good answers used the case study material and current UK data effectively, especially with regards to QE. However, relatively few answers focused on the issue of ‘sustainability’ in the question. Those that did were often very good answers.

Many students discussed the role of supply-side policies in sustaining a recovery. Most students evaluated throughout the essay, although there were some that tended to leave the evaluation for the end of the answer, which often was not as successful. Where conclusions were given, they were often more of a summary and relatively weak. For some students the absence of a strong conclusion made it more difficult to go beyond level 4.

Weaker answers tended not to address the question put to them accurately, choosing instead to write a standard comparison between monetary, fiscal and, sometimes, supply side policies, referencing a range of macroeconomic performance indicators, without actually focussing on the notion of a sustained recovery. Weaker answers found it difficult to explain the concept of a recovery lucidly. Some students used the stem part of the question to explain ‘tighter fiscal policy.’

It was then difficult for them actually answer the question. It was surprisingly common for students to discuss the reduction in the government's budget deficit as a 'recovery'.

Many answers included relevant and accurate diagrams to aid explanation, which was good to see. Diagrams were generally well used but still some candidates missed out labels, only drew an AS curve when AD was also needed and confused micro and macro diagrams.

## **Context 2: UK wages and competitiveness**

### **Question 27**

In order to gain all three marks it was necessary to identify that it is the *value of* the imported goods and services which is greater than the *value of* the exported goods and services. It was pleasing that the vast majority of students were able to identify 'imports are greater than exports' and achieve at least one mark, however it was disappointing that they didn't state the *value of*, or that it is necessary to include both *goods and services*. Many answers referred to the '*value of*', but did not refer to '*good and services*' and so could only be awarded two marks. Similarly many answers referred to *goods and services*, but not the *value of* and equally could only be awarded two marks.

### **Question 28**

It was pleasing to see that most students had little difficulty with the calculation. This question was generally well answered and many students were awarded full marks. Some students were careless and omitted the percentage sign and/or the negative sign, losing marks. The majority attempted some sort of calculation with an understanding of how to calculate a percentage change.

### **Question 29**

It was pleasing that this question caused fewer problems than might have been anticipated. The majority of students responded quite well, given the potential for confusion surrounding the negative figures for the balance of trade in goods. However, it would be beneficial if students could appreciate that a deficit on the balance of trade in goods needs to be expressed carefully. For instance the lowest balance of trade in goods, which was in December 2014 at £-13.5 billion, can also correctly be expressed as the highest deficit. However a wide range of expressions were anticipated and allowed for in the mark scheme.

The majority of the comparisons made were the lowest values and highest values. Given the flexibility built into the mark scheme, many students were able to make valid comparisons and achieve full marks. Careless mistakes meant that some answers lost marks for being out of tolerance or misquoting the data; a number of students referred to March 2014 as the start of the period and the lowest balance for trade in services, when the correct start date was January 2014. A small number of responses referred to the balance of trade in goods but omitted a negative sign. Weaker answers confused the balance of trade in goods with the balance of trade in services, not realising that the balance of trade in goods is in deficit or simply selected incorrect data for their point of comparison. Alternately, weaker answers gave data outside of tolerance. There was the occasional answer that trawled through the data or sections of the data and highlighted nothing of significance and therefore were awarded zero. A small number of answers referred to the balance of total trade, which was not required.

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**Question 30**

Pleasingly this question was well answered with a large majority of students obtaining full marks. However, a minority of students chose to include shifts for AD and AS, sometimes confusingly. Labelling was good generally.

The vast majority of students obtained at least one mark for the set-up of the diagram. There were a number of two mark responses for a correct shift but incorrect labels or a correct shift but also a shift in AD, leading to an incorrect new equilibrium.

**Question 31**

This proved to be one of the more challenging questions for students on the exam paper. The better responses clearly identified and stated two factors that contribute to low productivity. They then went on to develop clear logical chains of reasoning, using relevant economic terminology, concepts and principles to present a clear explanation of each factor.

Better answers that demonstrated an understanding of factors affecting productivity were likely to gain at least level 2 on the levels of response mark scheme used for this question. There were some good level 3 answers that were able to demonstrate focused analysis, often backed-up with some good application. These answers were not necessarily long and may have only taken up one page because they were focused, accurate and concise.

However, a wide variety of answers was apparent. Many answers did not demonstrate a clear understanding of the concept of productivity. A significant number of answers confused productivity with production. This was even apparent when the answer had started with a correct definition of productivity. These answers were unlikely to move out of level 1.

A significant proportion of the answers included a diagram showing a shift in the AS curve due to low productivity. In the vast majority of cases this did not help them to answer the question because it showed the *effect* of low or falling productivity which was not relevant in answering the question which was about the factors which may have contributed, i.e. *caused* low productivity in the UK.

**Question 32**

The vast majority of candidates discussed demand-side and/or supply-side policies. The quality of the analysis and evaluation varied widely, and many students made good use of diagrams to support analysis. Most students attempted to evaluate throughout the essay, although there were some that saved the evaluation for the end of their answer, which tended not to be as effective. Where conclusions were given, they were often more of a summary and relatively weak. For some students, the absence of a sound conclusion made it difficult for them to progress beyond level 4. Better answers were usually supported by good application from the extracts and the real world.

Good answers were able to link policies which cause a decrease in pressure on the price level to an increase in international competitiveness. Many were able to use good application of the current UK situation, with regards to Brexit and the value of the pound. Many were able to analyse effectively the impact of changing interest rates on the value of the pound and therefore the comparative change in export and import prices. The best candidates passed judgement on the price elasticity demand of exports and imports and its effect on export earnings and import expenditures and the impact on UK firms' costs.

Weaker answers resorted to a broad brush approach of applying monetary, fiscal and supply side policies more generally, lacking the specific focus on the trade deficit. Many evaluative comments resorted to the monetary/fiscal short term versus supply side/long term discussion without supporting analysis or application of data or theory. Some weaker answers confused the workings of price changes and their effect on import expenditures and export earnings. A few thought the question was about the budget deficit.

Some answers became confused when discussing supply-side policies as a means of boosting exports and referred to increased production meaning the UK has more exports to sell, which was weak. A few answers became confused as to whether expansionary or contractionary demand-side policy would be appropriate.

### **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.