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AS

# **ECONOMICS**

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

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## June 2019 Section B: Data Responses

### General

There was a slight preference for context 1: Artificial Intelligence, with approximately 55% of the entry choosing this context over context 2: UK Exports.

It was pleasing that many students were able to clearly define the relevant term asked for in questions 21 and 27. It was noticeable however, that even where a good definition was given, students often continued to expand on their definition, even though they had already done enough and any further comment was often repetitious, or worse still, introduced confusion. Students should try to develop the confidence that a full, precise and yet succinct definition will gain the maximum mark.

When answering questions 22 and 28, if the correct answer was clearly shown, it was not necessary to consider the workings. However, for students who were unable to arrive at a full correct answer the method 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 for a correct method. Common inaccuracies seen involved the omission of units eg. thousands, billions or the £ sign.

In answering questions 23 and 29, it is important that students take care to consider the presentation of the data, the title, the key and any notes below the data when deciding upon the significant points. Significant points of comparison included comparing the highest values or the lowest values and the majority of answers correctly selected these features for comparison. As in previous examination series, weaker answers selected random features of the data for comparison with no indication that they understood their significance.

Both contexts required students to draw a bar chart to answer questions 24 and 30. It was pleasing that this relevant quantitative skill identified in the AS specification, the construction and use of a graph, is a skill that most students were able to demonstrate in the exam with a large degree of accuracy.

Questions 25 and 31 required student to explain; this meant making a clear logical chain of reasoning, using relevant economic terminology, concepts and principles to present a clear analysis. Where this was done well, answers were focused and concise, where this was done less well answers tended to show weak understanding of the relevant terms, were poorly structured, overly long, off focus or repetitive.

Once again students' answers to questions 26 and 32 often showed too little application of current data and issues relevant to the UK economy, for instance that the UK is experiencing historically low unemployment or that it has been taken through a programme of public spending restraint (austerity). The better students are able to integrate these issues into their answers. Students would be well advised to think carefully about what to include in their answer, as this is part of the critical skill of application: selecting theories, concepts and principles that are of central relevance to answering the question and avoiding a focus on those that are at best peripheral. Greater use of data on the UK economy would enable students to better demonstrate the important skill of application. Often better application will naturally lead on to better evaluation. As commented on in previous examination series, too often the attempted evaluation is rehearsed and superficial which does not enable the student to demonstrate the good evaluation needed for level

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4 and level 5. The best evaluative answers combined information from the extracts with the students' own economic knowledge and drew well-articulated conclusions relevant to the question.

### **Context 1: Artificial Intelligence**

#### **Question 21**

Students who scored all 3 marks in defining investment were able to clearly state that investment relates to capital. Where capital was not explicitly stated, it was difficult for students to gain all 3 marks. Provided that the answer recognised that investment is a decision undertaken by firms and that it is related to capital, for instance by referring to machinery or technology, and avoided the error of indicating that investment could be undertaken by households/individuals, they could still be awarded up to 2 marks. Weaker answers confused investment with a personal financial gain or saving, or were simply too vague.

#### **Question 22**

It was pleasing that many students seemed to have little difficulty with this calculation of the number of jobs that could be lost. This question was generally well answered and many students were awarded full marks. A common weakness amongst those not gaining full marks was not to recognise that the employment figures given in extract A were in thousands. Students should be encouraged to reflect for a moment whether the number they have stated seems logical; for instance, is it logical to state that only 3 266 people are employed in the education sector in the whole of the UK and so only 881.82 jobs are at risk from automation

#### **Question 23**

Students were required to make two comparisons, each one being awarded up to two marks. Each comparison should have been a comparison between employment numbers, in thousands, with the percentage of jobs with the potential for automation. The majority of the comparisons made were between the highest employment levels and the highest potential for automation followed by the lowest employment levels and the lowest potential for automation. This was often done well with many students gaining full marks.

A common mistake amongst those not gaining full marks was that they did not make a comparison across the two sets of data in extract A. For instance, where a student compared the industry with the highest employment with the industry with the lowest employment, thereby avoiding any comparison with the percentage of jobs with the potential for automation, this could not be awarded the full two marks. Similarly where a student compared the lowest percentage of jobs at risk from automation with the highest percentage of jobs at risk from automation, this could not be given the full two marks because it did not make a comparison with employment numbers, as the question required.

Careless mistakes meant that some answers lost marks for not stating the units of measurement, in this case, thousands in employment or %, or misreporting the data.

#### **Question 24**

This question required students to draw a bar chart to show employment, in thousands, in the four industries with the highest percentage of jobs under threat from automation, as given in extract A.

A common mistake amongst those not gaining full marks was to construct a chart that showed the percentage of jobs with the potential for automation, for the four industries with the highest percentage of jobs under threat from automation. This was not required; the question called for a chart that showed the number of people employed, in thousands, in the four industries with the highest percentage of jobs under threat from automation.

A similar mistake was to calculate the total number of jobs that could be lost as a result of automation (by multiplying employment in the industry by the percentage of jobs with potential for automation) and present this as a bar chart.

Where these mistakes were made, students could only obtain one mark for the set-up of the diagram, provided that the bar chart was accurately drawn and fully labelled. Students would be well advised to take care to read the precise wording of the question and make sure that they fully understand what is required before proceeding. A brief moment spent doing so could have avoided a costly mistake.

Other than this, the question was generally answered well and the best students used a ruler to draw accurate bar charts. Where students did not achieve all four marks, the marks were lost for inaccurately drawn bars or missing labels. The axes need to have been labelled to clearly show the unit of measurement, in this case the vertical axis needed to clearly show that numbers employed were in thousands. Where a student started their vertical axis at a value other than zero, they must have indicated the discontinuity appropriately.

### **Question 25**

There was a good spread of marks awarded for this question. The better responses clearly understood the relevant terms, explaining that the national debt is government debt. Better answers also clearly understood the budget balance, usually in terms of a deficit. They were also able to introduce a discussion of the significance of changes in overall tax receipts, alongside any increase in government spending, and that the critical issue was the overall effect on the budget balance.

Most answers focused on the short term effects, arguing that an increase in government spending would increase the size of the budget deficit and, that this is financed by additional borrowing and that it is this additional borrowing which increases that size of the national debt. Provided that this was done well, students were able to achieve level 3 through this approach; it was not strictly necessary to also include a longer term analysis in order to achieve full marks.

However, many answers did also include a longer term perspective, arguing that increases in government spending would inject extra demand into the economy and stimulate further economic growth. This growth could generate greater tax receipts in future years and so the long term effect on the budget position may be less detrimental, perhaps even leading to a budget surplus in future years and the potential to repay past borrowing and so bring down the size of the national debt. This approach also enabled students to consider the implication of the size of any multiplier effect. It also enabled them to introduce an AD/AS diagram to show the effect of a fiscal stimulus.

A diagram was not strictly necessary to support an explanation. However many students did draw a diagram showing a rightwards shift in the AD curve due to increased government spending. In some cases this did help them to answer the question because it showed the effect of increased

government spending, a multiplier effect, and higher real GDP which would generate higher tax receipts over the longer term.

It was not necessary to give an explanation of how the government finances its borrowing requirements, or the composition of the national debt in terms of who the government is in debt to. This was beyond the scope of the question. It was interesting to note that many students did attempt to explain who the debt was owed to, often interpreting it as a debt owed to other countries. Weaker responses expressed the national debt vaguely as the country's debt, or amplified this weakness by expressing it as the debt of all economic agents. Occasionally a budget deficit or national debt was confused with a trade deficit.

Weaker responses were often unable to fully develop clear, logical chains of reasoning, simply stating that greater government spending would increase the national debt. They neglected to make a clear link between government spending and the overall budget balance or the significance of tax receipts. This often left them with a brief initial paragraph, such that they subsequently drifted off focus for the rest of their answer.

### Question 26

The depth of the analysis varied widely. Weaker answers developed a limited explanation of structural unemployment, perhaps only referring to the structure of UK industry, whereas better answers were able to identify that the essence of structural unemployment was an imbalance between the skills of a workforce and the skills required by industries.

However, even when this was done, few students went on to develop an in depth analysis of the reasons why this occurs. Most students included a discussion of technology displacing labour. Very few broadened their analysis of structural unemployment any further, for instance by discussing relevant issues such as regional imbalances, even though it was referred to in extract B, or the forces of globalisation. Some better responses did discuss the significance of occupational and geographical immobility of labour.

Most students did discuss the role of policies in reducing unemployment. Weaker answers tended not to address the issue of *structural* unemployment, and tended to provide a standard analysis of how monetary, fiscal and supply side policies may reduce unemployment without actually focussing on structural unemployment. Weaker answers tended to implicitly address the issue of demand deficient unemployment, relying on an AS/AD diagram which illustrated a lack of AD and therefore the policy response should be a stimulus to AD.

Many responses correctly argued that education and training were of central importance. Better responses developed this, separately developing an analysis of education, then training; for instance, improvements to the education system, greater government expenditure devoted to education, education reforms and transferable skills; then moving onto workplace training, apprenticeships and vocational skills. Very few students identified adult education, second chance education or lifelong learning as an issue. Weaker answers were too brief on these policy areas. Many students picked up on the prompts in the extracts to infrastructure improvements and the better answers linked this to their analysis of factor immobility.

Very few students were able to stretch their analysis to include productivity gains and the potential to repair the productivity gap, even though this issue was included in extract C. Where this was included it helped to build a stronger analysis. However there was a notable weakness when discussing productivity and it was often confused with production.

It was concerning that a surprising number of students argued that an appropriate policy could be a tax on businesses investing in automation/technology to discourage them from making these investments. If this policy idea had been heavily criticised it might have been worthy of inclusion, however this was seldom done.

Evaluation was better where it picked up on the prompts given in the extracts, as mentioned above. Stronger application often leads through to stronger evaluation, and students would be well advised to practise building in better application to see for themselves how it helps their evaluation to be more specific and focused and less rehearsed and generalised. A strong conclusion should reemphasise the most important points before directly answering the question which was asked, in this case, which policies are most effective in order to try to prevent a rise in structural unemployment.

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**Context 2: A New Approach to Government Policy****Question 27**

It was pleasing that many students were able to clearly define disinflation. However, there was a noticeable weakness amongst some students in distinguishing between the general price *level*, and the *rate* of inflation. It was pleasing that most students understood the distinction between deflation and disinflation. Weaker responses were those that blurred this distinction, often as noted above, by not clearly understanding or expressing the difference between the price *level* and the *rate* of inflation. Many students chose to include a numerical example to illustrate their definition; whilst this was not strictly necessary, it did help some students who struggled with their form of words to secure some marks.

**Question 28**

It was pleasing to see that most students had little difficulty with this calculation of the mean trade balance. This question was generally well answered and many students were awarded full marks. As has been common in previous examinations, some students were careless and omitted the £ sign and/or billion, losing marks.

A noticeable minority of students calculated the total trade balance, when the mean was required and so could only be awarded a maximum of 1 mark. Other mistakes included showing a correct method of calculation but making an error with the numbers. Provided that their method was clearly set out and correct, they could still be awarded some marks, even though they gave the wrong answer due to an error with their numbers. This emphasises the point made in the general remarks that workings become significant for the awarding of marks.

**Question 29**

Many students were able to correctly give valid significant points of comparison between the geographical breakdown of UK exports and imports. The majority of the comparisons identified were between the lowest values and highest values. A small number of students failed to include the £ sign or billions and so did not achieve full marks for their comparison.

Students were required to make two comparisons. Each comparison should have been a comparison between export values in £ billion, with import values in £ billion.

As with context 1, question 23, a common mistake amongst those not gaining full marks was that they did not make a comparison across the two sets of data in extract D. For instance, where a student compared the country with the highest exports with the industry with the lowest exports thereby avoiding any comparison with imports, this could not be awarded the full two marks. Similarly where a student compared the lowest imports with the highest imports, this could not be given the full two marks because it did not make a comparison across to exports, as the question required.

Some weaker answers did not identify a comparison that was significant or express the significance of the comparison identified. A small number of students did not include any data at all and so could not be awarded any marks.

A small number of students attempted to explain the geographical location of the countries, perhaps responding to the “geographical breakdown” phrase in the question. They therefore attempted to find significance in a country’s proximity to the UK, for instance that Switzerland was

close geographically to the UK, which was why it had the 2<sup>nd</sup> largest export value. This approach usually made it difficult to award any marks.

### Question 30

This question required students to draw a bar chart to show the four largest single export markets to non EU countries, as given in Extract D. This was generally done well and caused few difficulties. Once again, the better responses had used a ruler to draw an accurate bar chart. Where students did not gain all four marks, the marks were lost for inaccurately drawn bars or missing labels, in this case the vertical axis needed to clearly show that numbers exports were in £ billion. Both the £ sign and billions needed to be stated. Again, where a student started their vertical axis at a value other than zero, they must have indicated the discontinuity appropriately.

A minor issue was that some students omitted Switzerland from their bar chart, perhaps responding to the “non-EU countries” phrase in the question and incorrectly believing that Switzerland was in the EU.

### Question 31

There was a prevalent weakness in many answers to this question; many students were unable to clearly explain the basic accelerator process.

Better answers often started by clearly explaining the accelerator process. Where students were able to do this, they often went on to present some well-focused analysis, with clear logical chains of reasoning, linking the accelerator process to economic growth. This enabled them to reach level 3 and achieve full marks.

Many students explained the impact of greater investment, due to the accelerator process, on the level of aggregate demand and therefore on the level of real GDP in the short run. This approach therefore focused on short–run economic growth, and provided it was done well enabled them to achieve full marks. It was not necessary to also include an analysis of long-run economic growth. However, many better answers did also include a longer term perspective, arguing that an increase in investment due to the accelerator process would increase the capital stock available within the economy and so expand the productive potential of the economy, representing long-run economic growth.

It was pleasing that diagrams were generally well applied. Most students developed an AS/AD diagram to show either greater investment shifting the AD curve right depicting short run economic growth, or a greater capital stock shifting the LRAS to the right representing long run economic growth. The inclusion of a relevant diagram demonstrates the important skill of application whereas using the diagram to assist the written explanation shows the skill of analysis.

### Question 32

The extracts did provide guidance on the significance of an increase in exports, referring to the addition to national income, and also provided context, such as falling real incomes and high consumer debt repayments. It was pleasing that many students used the extracts well, which provided prompts to evaluative considerations. Better answers took these prompts, such as the references to competitiveness and productivity in extract F, in contrast weaker answers failed to appreciate the significance of the prompts in the extracts. The quality of the analysis and evaluation varied widely, but many students made good use of AS/AD diagrams to support their analysis.

Many students included a focus on a depreciation of the exchange rate to explain the cause of an increase in exports, perhaps responding to the information in extract F. However, students needed to be careful as the question was about the *effect* of an increase in exports, rather than the *cause*. Some better answers were able to argue that the significance of an increase in exports did actually depend upon the cause of the increase, for instance by arguing that an increase in exports resulting from productivity gains was likely to be more significant than if the rise in exports was merely a short lived effect from a weaker pound which would be eroded if the pound recovered its lost value. Where this was done well it often demonstrated good application and well supported evaluation which enabled the answer to reach at least level 4.

However, more often a discussion of exchange rate depreciation unfortunately drifted off focus and centred solely on explaining the cause increase in exports. A surprising number of students seemed to suggest that this was the only way for a country to achieve an increase in its exports. Some students let their answer drift on to the J-curve effect and included the diagram. Because these responses struggled to remain on focus, it often lowered the overall quality of their answer. It should be noted that few students included good analysis of the importance of price competitiveness resulting from productivity gains, even though this was raised in extract F. It suggests that many students are not confident with the concepts of international competitiveness and productivity.

It was very pleasing that nearly all students attempted to evaluate throughout the answer. However, many evaluative sections struggled to move beyond considerations of the short term impact of greater aggregate demand and employment, versus the trade off with greater inflation. As noted above, few students were able to discuss the possibility that greater exports achieved through greater productivity and the resulting international competitiveness would be more significant, representing beneficial longer term supply side improvements.

As with question 26, where conclusions were given, they were often more of a summary and relatively weak; the absence of a sound conclusion made it difficult for them to progress beyond level 4. Better conclusions are ones where students show that they understand the complexity of the issues they have addressed and try to place some emphasis on key points they have discussed, emphasising why a point is of particular importance and why more weight should be attached to it. For instance, that the effect of an increase in exports depends upon the cause of the increase, or the stage in the economic cycle and the existence of any spare productive capacity to absorb the extra demand, or other economic considerations such as weak growth in domestic consumer demand and low investment due to Brexit uncertainty.



### **Mark Ranges and Award of Grades**

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