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# A-LEVEL ECONOMICS

7136/2: National and International Economy  
Report on the Examination

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## General Comments

The teaching of skills and assessment objectives is vital in ensuring students are using their time to answer questions effectively. Time should not be wasted evaluating or concluding in questions that do not test the AO4 skills such as the 9-mark and 15-mark questions. The responses that are achieving the highest marks are the ones that adapt the knowledge developed in the classroom and make use of the context and stimulus material provided. In the 25-mark questions where students are asked to demonstrate the AO4 skills, many are successfully evaluating the situation presented; however less effective answers use somewhat rehearsed or superficial evaluation. It is also important to realise that students may use both qualitative and quantitative data to evaluate their answers on 25-mark answers.

Many also successfully use their own knowledge developed from the media or social media and discuss how current events, such as Brexit, may impact on the economy. However, there are health warnings to be made with the increased use of social media in particular. Some students are only learning about issues at a very superficial level and not understanding their complexity. Some students are merely referencing Brexit and believing that this will be sufficient in evaluating issues.

In terms of the split of answers this year, the contexts proved almost equally popular with around 53% opting for context 1 (Living Standards) and around 47% opting for context 2 (Fiscal policy and taxation). In the essays there was a much starker contrast. About 56% of students opted for essay 3 on inflation and deflation with about 40% opting for exchange rates and depreciation. This led to the financial markets question having fewer than 4% of responses.

## Context 1

This context was slightly more popular than context 2, however the difference was marginal. The context was about the measurement of GDP and its usefulness in analysing living standards. It centred around three countries: the UK; USA and Costa Rica, and looked at various aspects of the HDI and wider quality of life measures. The third extract analysed Costa Rica and the Happy Planet Index and looked at sustainability being a key factor in people's quality of life.

## Question 1

The difficulty of this question was in relating the \$bn to the population in millions. Students should consider the plausibility of their answer because some were improbable and ranged from \$14 to \$14 million dollars per capita. It is also useful to note that, for the first time, method marks were included in the mark scheme but many failed to show the correct method.

## Question 2

Here, students were asked to explain which aspects of the data showed that the UK may have better standards of living than the USA. Some attempted to calculate the GDP per capita in both nations, which didn't show living standards were higher. Also, many were distracted by the rate of increase in the HDI which, again, couldn't be used. Most did use data such as the infant mortality rate or the CO2 emissions. The best answers successfully explained how these affected living standards.

**Question 3**

Question 3 required students to explain how initial injections into the circular flow of income, could create multiple increases in GDP. The expected answers centred upon the multiplier effect and possible accelerator effects. Prompts were also given in the question about the marginal propensity to consume and it was expected that some would use the multiplier formula, however only a few did. Some responses discussed increases on the supply side which was fine. It was clear that some students didn't fully understand the injections into the circular flow, or how initial injections lead to second round effects.

**Question 4**

This question required students to explain whether governments around the world should prioritise achieving economic growth, in order to raise the living standards of their citizens. There were a wide range of responses to the question. The best answers made use of the data in the context and weighed up the costs and benefits of both short-run and long-run economic growth relating these to the effects on standards of living. Some responses focused on the prioritisation of economic growth compared to the other macroeconomic goals. Others considered the role of stages of development in the answer and brought in wider knowledge from their own personal studies. Less successful responses did not successfully link the question to living standards and focused on a narrow understanding of incomes.

**Context 2**

This context focused on Scotland's decision to use its devolved powers to set its own income tax rates. The data gave rates for both the rest of the UK and Scotland and the extracts looked at the UK's public finances and Scotland's proposed plans for their additional revenue.

**Question 5**

This question asked students to calculate income tax payable for someone on a set income. Firstly, students were required to calculate the tax-free amount, then calculate a proportion of the remainder to work out the tax payable. As the income tax bands can be quite confusing, two possible answers were given in the mark scheme, £313 and £314. Again, a method mark was included in the mark scheme. Some students could not calculate the tax-free portion of the calculation and, as a result, failed to get the correct answer or method mark. The majority of students did pick up 2 marks for this question; however a number scored no marks.

**Question 6**

This question required students to identify what evidence there was that public finances had improved since 2010. As two data points related to 2010 (2009/10 and 2010/11), answers which referred to either were accepted. The main issues which were expected were discussion of the falling deficit and discussion of rising tax revenue in comparison to government expenditure, which was rising at a slower rate. Most were able to do this successfully but some confused what government expenditure was actually measuring, which hindered responses.

**Question 7**

In this question, students were asked to link economic growth to a falling budget deficit. Most successfully explained the budget deficit and linked economic growth to falling unemployment. From here they described rising income tax revenue, rising VAT or corporation tax from rising profits or falling expenditure from reduced welfare benefits. Some did not explain which taxes were rising and why, or exactly why welfare benefit spending was falling. Equally some were unable to link their diagram to the answer which was a weakness.

**Question 8**

Question 8 asked students to discuss whether income tax rises should occur across the whole of the UK. Some discussed whether the whole of the UK should adopt Scotland's policy of raising taxes on higher income groups and reduce tax rates on lower income groups which was accepted in marking. Many higher scoring answers considered whether increasing tax rates would actually lead to more revenue due to issues such as tax avoidance or evasion. Some considered equity arguments and what increased revenue may be spent on. This, however, led to some confused answers that did not articulate how a falling deficit may occur or could not link the deficit to national debt.

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

Generally, this question was answered reasonably well with good use of diagrams. Most students could link issues such as changes in net trade, the flow of hot money and changes in interest rates. Most could also use the supply and demand of currency on FOREX. It is also important to note the question asked for changes on a floating exchange rate. This could be a free-float or managed-float. Some students considered Brexit without subsequent explanation as to exactly why currency flows may have changed. A minority of students analysed appreciation rather than depreciation.

**Question 10**

Most answers to this question demonstrated good understanding of the effects of depreciation on net trade. Some looked at other aspects of macroeconomic performance such as the effect on growth or unemployment. More successful answers considered the effects on both imported inflation and potential demand-pull inflation. Some responses considered the elasticities of both imports and exports and the Marshall-Lerner condition. Further to this, diagrammatical analysis using J-curves were also used. Less successful responses could not see past the initial change while better responses also considered self-correction and empirical evidence.

**Essay 2****Question 11**

This question required students to explain how the transmission mechanism filters through to the economy when the MPC alters Bank Rate. Strong responses were able to identify why the MPC may alter Bank Rate and discussed inflation targets. Many also considered the effects on both individuals and firms. Some responses didn't fully consider the effects on the exchange rate and net trade which limited the answers.

### **Question 12**

Many responses were able to discuss moral hazard, systemic risk and financial regulation and the best answers linked this successfully to macroeconomic stability. Some less successful answers totally confused the question and discussed currency markets or fiscal policy.

### **Essay 3**

### **Question 13**

This essay was clearly the most popular. Many were able to identify relevant causes of inflation and could analyse both demand-pull and cost-push causes. Diagrams were also successfully used although less successful answers focused upon analysing the diagram rather than the causes of inflation. A minority confused the two causes. Some used the Fisher equation and the Monetarist view of inflation which the better responses were able to analyse successfully.

### **Question 14**

The majority answered this question, and many appeared well-versed in the differences between malign or benign deflation and the different effects on the economy. A few answers drifted at this point and discussed other things that are happening at the same time, rather than the effects of inflation or deflation. Some failed to fully understand the impacts of both and were unable to give a fully developed response. A minority also created circular arguments saying that deflation led to inflation and vice versa.

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

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