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# A-LEVEL ECONOMICS

7136/2 National and international economy  
Report on the Examination

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Specification 7136  
June 2018

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Version: 1.0

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### **General Comments**

This was the second sitting of the AQA Economics 7136/2 paper and it was clear to see that many centres had learned lessons from the previous series.

It is encouraging that centres not only used papers from the first series but also use the guidance written in these examiners reports in order to help their students gain the best advantage possible. Many centres are also teaching skills rather than just the basic content and the students that have the skills of adaptability and resilience are the ones which are performing the best. Some students are still relying on pre-rehearsed “AS” answers but it is good to see that these are generally in the minority, whereas the majority are able to quote current statistics and real world events and apply these in context. It is also advisable to teach students about the Assessment Objectives (AO's) and to give them a greater understanding of how these are distributed on each question.

This year saw an increase in the number of students taking the AQA paper which demonstrates not only the growth in AQA's market but also the growth in student's interest in economics in general. This may be due to the prominence of economics in the media. Many students used their knowledge of recent events in America, Europe and the UK (including the EU referendum) however it is important that students use their own knowledge where appropriate and not try to work things in to answer where it is not suitable.

Finally, it is also important to draw to centres attention the timings and dates of exams in the 2018/19 series. Some centres may find there is marginally less teaching time in comparison to this series and centres need to take this into account when planning.

**Context 1**

This context was slightly less popular than context 2 which has often been the case when a trade question has been set. The context itself was based upon the UK's large current account deficit and Germany's large current account surplus. Just over a third of students opted for this context.

**Question 1**

This question appeared to be quite straightforward in calculating a percentage change between two points in a chart. Most students were able to do this, to 2 decimal places, as asked in the question, however many failed to realise this was a fall or depreciation. The majority of students gained 2 marks, however many missed out by not indicating it was a fall or placing a negative sign on the calculation. It is important that students look out for the requirements of the question when formulating their answers.

**Question 2**

Here, students were asked to explain why the data was disappointing given the fall in the value of the pound. The data included information on goods, services and the overall goods balance. Students could often quote bits of data, but some failed to relate this back to why the depreciation led these figures to be disappointing. Many students were also confused over what constitutes a smaller or larger deficit. It is worthwhile getting students to focus on the "why" aspect of the question and match the data to the proposition.

**Question 3**

Question 3 required students to explain why a trade surplus could be self-correcting in a floating exchange rate system. Better students described what a floating exchange rate was, described a surplus and then successfully used a currency diagram to explain the possible upward pressure on the exchange rate, followed by the effects on imports and exports. Where this was done well it had clear chains of logical analysis with a step by step approach. However, some students were unable to link the surplus to the effect on the currency or were unable to use currency diagrams and instead reverted to AD/AS analysis which was largely irrelevant.

**Question 4**

This question required students to explain the impact of the current account deficit on the macroeconomic performance of the UK. Many students automatically treated the current account deficit in isolation which of course, was credited. As a result, some said that the current account deficit was likely to cause recession. However, the students with better evaluation skills often identified that this may slow down growth rather send it negative. Stronger students not only used data from the extract but also their wider knowledge of trade and also considered solutions to it. Some students at the higher end also considered the capital and financial accounts as well as primary and secondary incomes and their effects on performance. Too many students tried to bring in issues such as "Brexit" despite it being somewhat inappropriate in this question.

**Context 2**

This was a very popular context with two-thirds of students opting for this context. Some students chose to avoid this context as they thought the extracts focussed on financial markets, although in reality, it was largely about Monetary Policy and more specifically the MPC and interest rates. It is often advisable to train students to read the questions rather than just the context data.

**Question 5**

The calculation question appeared to be quite straightforward. Students were given a figure for the average UK household income and were shown a table of values for the savings ratio. Students then had to identify the correct year and use the percentage to work out the average amount saved. Most students did this fairly well, however the individual question then asked them to round the data to the nearest whole number. It was at this point that many students surprisingly struggled and lost marks. It is worthwhile training students to look out for how the data should be presented.

**Question 6**

This question required students to identify what evidence was there to show that consumer confidence had been on the rise since 2014. The students were also directed to both figures in the extract. Despite having this steer, some students only used one extract which hampered their marks. Firstly, the amount of personal debt to income had risen, indicating more loans/credit were being taken out in comparison to their incomes. Secondly, the savings ratio had fallen, indicating that consumer spending as a proportion was rising. Again, in a similar way to question 2, many students used the data but were unable to say “why” this related to confidence.

**Question 7**

Here, the students were required to explain the potential trade-off between price stability and unemployment. Many students accurately tried to relate this to the context by applying their answer to the MPC and interest rates. Better students explained that in order to reduce unemployment, Bank Rate may be reduced and the resulting effects on consumption and investment boosting AD and causing demand-pull inflation. Better students also explained the effects of lower unemployment on the labour pool and subsequent bargaining power and wage demands. Some students relied too much on just using a diagram and explaining the diagram. Some weaker students did also not properly label diagrams (AD/AS or Phillips curve) and failed to show co-ordinates or movement in diagrams.

**Question 8**

Here students were asked to consider macro-economic stability and the possible impact that persistently low interest rates may have on stability. Stronger students were able to explain reasons for the historic low Bank Rate, and brought in wider knowledge of forward guidance and reasons to why interest rates may have changed due to the EU referendum. Sadly, many students did not fully relate their answer to stability or they didn't fully take on board the context. Some students did not fully consider the impact of asset price bubbles or the fact that personal debt has been rising. Stronger answers brought in the role of financial regulators in reducing risk and the fact that (hopefully) the rising debt could easily be managed.

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

Generally, this question was answered reasonably well and very few weak answers were seen. Many students were able to describe reasons why LEDC's find it difficult to achieve long term economic growth. Students found this question much more difficult to work in diagrams and this was considered in the marking. It is important to highlight that diagrams are not a pre-requisite of this question, but they aid application and analysis and where appropriate, should be used. The general focus of the answers was around primary product production, corruption and lack of human and physical capital, however some students failed to relate issues to the long-term and focused answers purely on things such as consumption or lack of exports.

**Question 10**

Again, some very good answers appeared for this question. Many students highlighted the benefits of MNC's in terms of growth, employment, development and influence on trade. Many students also highlighted real world examples of the successes, and indeed failures of many MNC's in specific countries. Some students failed to develop their answers sufficiently using economics and some developed political or cultural arguments that drifted off from the actual analysis required. It was encouraging that students could bring in many examples to this question though.

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

This question required students to explain how fiscal policy can be used to develop the supply-side of the economy. Many answers focused on government provision of infrastructure or use of the tax and benefits system to encourage labour into work. Some answers provided logical chains of analysis to explain how either the quantity or quality of the factors of production could be improved. Some students missed the point about fiscal policy and discussed legislation or just considered subsidies and production rather than give a focus to possible real-life issues. Stronger students highlighted actual issues such as the introduction of T-levels to skills and education.

**Question 12**

Students gave quite a mixed response to this question. Sadly, many gave circular arguments and stated that the main aim was to create a surplus so that it would enable the government to spend more. Stronger students highlighted repayments on the deficit, crowding out, possible inflationary effects and the possible effects on bond yields with the very strongest able to evaluate this against real-life events. Many students only considered "austerity" as an alternative and failed to consider tax rises or the difference between structural and cyclical deficits. Many answers confused a budget surplus with a balance of payments surplus. This led to no marks being awarded.

### **Essay 3**

#### **Question 13**

This essay was clearly the most popular of all essays. Many students were able to identify relevant causes of cyclical unemployment and relate this to involuntary unemployment, falling outputs and a falling derived demand for labour. Suitable diagrams were also used. Further to this, many students developed issues around structural unemployment quite well and linked skills, occupational immobility, and geographical immobility to the problem. They were also able to give historic contexts (coal) and more recent experiences (steel) and relate them to the question with relevant examples. Some students however, failed to differentiate between the two with a minority getting the answers the wrong way around.

#### **Question 14**

Students appeared well-rehearsed and confident in considering the employment statistics against actual living standards. Many drew on the prompts in the extracts and highlighted companies which possibly gave less favourable working conditions than others. Several also considered the inflationary effects of high employment and considered the effects on real wages. Some students also considered the wider implications on the government; however, this is where some drift from “living standards” was observed, with many considering living standards in monetary terms only. Stronger students consider the quality of life of not only those in employment but also others in society whereas weaker students only considered the cost of living.

### **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.