A-LEVEL
ECONOMICS
7136/2 The National and International Economy
Report on the Examination

General

This was the first "full" exam series of A level Economics after 2 years of being impacted by the pandemic. Overall, nearly 14 000 students sat the paper which was up on the previous series in 2019.

For many students, this would be the first time they had sat formal examinations. Many students were able to successfully rise to the challenges posed by the paper and many centres had used the advanced information to focus on topic areas, although due to the synoptic nature of the topics in macroeconomics, most of the specification was included in the information. Given the disruptions to students' learning over the past couple of years, it is not surprising that the performance of some students has been impacted.

The vast majority of students didn't seem to struggle for time in the examination, and most wrote answers of appropriate length for each question. A small number of students wrote far too much for the 4 and 9 mark questions, which will have reduced time available for longer questions. Students must read questions carefully to ensure they are answering the specific question set.

It is encouraging that many students were able to bring in their own, up to date, knowledge, especially when it came to discussion of the UK economy in terms of current inflation rates, unemployment rates and Bank Rate, as well as being able to accurately explain how these have been caused, or how they have impacted the UK.

In terms of the split of responses, in the context data response questions, there was a clear leaning towards context 2 with approximately 80% choosing this option. With the essays, the least popular was essay 1 where only 13% of students selected this option. The most popular essay was essay 3 where 47% of students chose to answer this with 40% opting for essay 2.

Context 1

This context focused on investment in Africa and in particular Foreign Direct Investment which was a focus for all the qualitative questions. The quantitative extracts covered 5 African nations and the written extracts looked at the pro's and con's of FDI and problems of African development. It is worth reminding students that this is a data response and the extracts are useful in giving clues as to what is expected in the subsequent questions. As stated before, only about 20% of students chose this section of the paper.

Question 1

This question required students to calculate an index figure based upon GDP data in Extract A giving the answer to 1 d.p. The majority of students were able to do this quite easily although quite a few wrongly included "%" signs or calculated the answer to 2 d.p. It is worth highlighting that method marks are available for these questions as long as the instructions regarding decimal places are followed. Sadly, many students do not include working which costs marks.

Question 2

Here, students were asked to demonstrate how the data in Extract A illustrated that high stable growth attracted FDI. It was surprising that many students did not understand that real GDP itself is

not growth, and it is the change (or percentage change) in Real GDP which illustrates growth. Many students just chose one piece of data but then struggled to link explanations to the data. It is advised to try to go for more than one piece of data on these type of questions to secure higher marks.

Question 3

Question 3 asked students to explain how rising FDI would likely be able to lead to increased exports. Most students were able to explain the term 'inward FDI' and subsequently pick up on the hooks in Extract B leading to an explanation of increased competiveness and how this would improve export performance. Better responses made use of diagrams illustrating SRAS or LRAS increasing to illustrate the increased competitiveness. It is worth highlighting the instruction that almost always appears on 9 mark questions instructing students to answer the question "with the help of a suitable diagram". Many students showed just the effect of rising exports rather than logical links as to how this happens.

Question 4

Most students were able to give a reasonable assessment of the desirability of FDI in improving living standards in African nations, and used the source extracts to good effect. Weaker answers seemed to ignore the prompts given in the source data, or give narrow answers that analysed the effects of FDI in general but ignored living standards, or relied too heavily on the source data. Weaker responses did not consider the context and just explained that African nations ought to carry out supply-side policies without consideration of the limitations of these proposals.

Context 2

The more popular context question focused on the control of inflation which is particular topical at this point in time and may be one of the reasons why this context was so popular. The context focused on Argentina and the problems they were facing. The second written extract considered whether inflation was still an issue in advanced economies (which it clearly is).

Question 5

Again, most students were able to correctly calculate the mean unemployment levels in UK and Argentina and then work out the difference between these two values. A minority did not state the answer to two decimal places or made a calculation slip despite having calculated the two mean values correctly. It is important to note that the correct answer should say "percentage points" but students were allowed the benefit of the doubt by just placing a "%" sign at the end.

Question 6

Question 6 required students to identify how the data showed a trade-off between unemployment and inflation. Most students successfully did this over the whole period, however some students chose obscure years and some decided to choose data from Argentina which did not illustrate the trade-off. It is important to note that this type of question is looking for confirmation of the proposition and there are no marks for arguing against the proposition.

Question 7

There were some very good answers accessing the top level which included accurate tariff diagrams and/or which made some use of AD/AS analysis to support the answer along with a clear explanation of how the reduction of tariffs would reduce cost-push inflation. Weaker answers often seemed to misunderstand the question and simply explain how the introduction of a tariff would increase inflation. It was disappointing that many students did not correctly label the axes on tariff diagrams and some, merely described the diagram rather than the process.

Question 8

Most students considered a good range of ways of tackling this question. Some considered the benefits of low stable inflation against the costs of the alternatives (hyper inflation or deflation). Also analysing trade-offs and alternatives were quite popular approaches including methods of dealing with inflation. Weaker responses did not consider the importance of low stable inflation and spent too long on looking at how to control inflation.

Essay 1

Essay 1 considered the UK's trade deficit with the first part considering expenditure switching methods and the second part considering the costs and benefits of exchange rate systems. It was the least popular of the contexts.

Question 9

Most students showed some understanding of expenditure-switching policies and were able to explain 2 or 3 examples. Many focused on trade protection, possibly due to having answered question 7 earlier. Better answers focused on supply-side improvements or currency devaluation. There was good use of diagrams. Weaker responses generally muddled expenditure-reducing policies.

Question 10

This question required students to weigh up the relative pro's and con's of fixed and floating exchange rates. There were some well-rehearsed excellent answers to this question often with evaluation of real-life events. Often diagrams were well used in these responses. Weaker responses confused issues and didn't fully understand the main arguments involved such as monetary autonomy or the ability to self-correct surpluses or deficits.

Essay 2

Although Essay 2 was a popular choice, it was one of the worst answered in terms of the 15 mark question. The question set related to output gaps (an area of the specification that hasn't been tested before) and supply-side policies.

Question 11

Most students attempting this question were able to explain and illustrate the meaning of a positive output gap, usually with AD/AS analysis or a depiction of the economic cycle. Typically answers would outline the problems of demand-pull inflation and possible wage/price spirals. Stronger responses focused on reduced international competitiveness. Other strong answers explained the possibility of asset price rises, bubbles and cyclical instability. Some weaker answers didn't understand the difference between a positive or negative output gap or believed that an output gap was the same as a trade surplus or budget surplus.

Question 12

This question required students to consider whether supply-side improvements were best achieved through the use of interventionist policies inviting students to weigh up the pro's and con's of interventionist techniques against free-market policies or approaches. There were some very good L4/L5 responses with detailed consideration and evaluation of government intervention such as issues regarding government debt, crowding out and the effectiveness of intervention. Most students focused on intervention in terms of education or infrastructure and included real life examples. Weaker responses did not understand the difference between interventionist and free-market and confused the policies and effects. A minority of students focused on issues that weren't supply-side and just answered about government intervention.

Essay 3

This essay was answered by nearly 47% of students and was about the change in the value of the UK's exports and also about whether international trade is beneficial or not.

Question 13

The strongest students were able to identify a few reasons for changes in the value of exports such as changing exchange rates or growth in trade partners and used accurate diagrams to illustrate issues. It was surprising however that many students did not appear to understand what is meant by the "value" of exports and often confused this with the price. Weaker responses confused issues and identified issues without providing clear, logical chains of analysis.

Question 14

Here, students were asked to evaluate whether trade is always beneficial. There was significant opportunity for students to present a wide variety of arguments given the breadth of scope of the question. There was indeed a range of relevant approaches taken by students and the very best answers often considered impacts on growth, development, living standards and inequality. There was some very good use of diagrams including trade creation, AD/AS and illustrations of the benefits of trade and considering comparative advantage. Weaker responses focused on globalisation rather than trade.

Mark Ranges and Award of Grades

Grade boundaries and cumulative percentage grades are available on the Results Statistics page of the AQA Website.