



AS

Economics

7135/2 The National Economy in a Global Context

Report on the examination

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Section A – Multiple choice

The mean facility for the multiple-choice questions was 54%. The most challenging questions, with a facility of less than 35%, were questions 2, 7, 13, 17 and 19. The five most demanding questions and those with prominent distractors, are considered below.

Question 2

The correct answer is B. Although the growth in labour productivity has slowed, it is still positive and so national income would increase. The majority of students went for D but from the information provided, it is not possible to determine what happened to the output gap.

Question 7

The correct answer is D. Answers were split evenly showing that many students did not understand the concept of the multiplier. The correct answer is calculated by dividing the change in national income (£300bn) by the change in government spending (£130bn) which equals 2.31.

Question 13

The correct answer is C. The majority of students selected option B. A reduction in income tax rates means that consumers are likely to have more money to save, therefore it is not the most likely reason for a fall in saving. Answer C, an increase in household energy bills, will mean consumers have less discretionary income and will therefore have less money to save.

Question 17

The correct answer is C. An increase in the number of job vacancies suggests that aggregate demand is rising and the labour market is tightening, adding to inflationary pressures. Hence, a reason why the Monetary Policy Committee might decide to increase Bank Rate.

The other answers were split evenly over the other options. Each of the distractors is consistent with a fall in inflationary pressures.

Question 19

The correct answer is D. The accelerator process is when past changes in national income affect investment. The majority of students chose option B, confusing the accelerator with the multiplier.

Section B – Context questions

Context 1 was more popular than Context 2 with around 75% of students choosing to answer the questions on 'Population changes and the UK economy'. Students performed similarly on both contexts.

Many students incorporated AD/AS diagrams into their answers and used them to support their analysis. However, some diagrams were too small, lacked precision and had missing or incorrect labels. Additionally, some students struggled to explicitly reference the diagrams in

their responses to the questions. While including a relevant diagram showcases some application, if the diagram is not used and integrated into the response, only limited credit can be given.

Greater use of data on the UK economy would have allowed students to demonstrate their ability to apply economic principles more effectively to the context. Good application often leads to more insightful evaluation. As noted in previous exam series, evaluation is frequently rehearsed and superficial, limiting students' ability to achieve higher marks. High-quality evaluation involves thoughtful engagement with the data provided, relevant and up-to-date knowledge of the UK economy, and a clear focus on the question. This is an area where the most capable students excelled.

Question 21

Many students could not give a full and precise definition of 'national debt'. Too many explained 'budget deficit'. The best answers understood that it is a total/stock/sum of outstanding debt.

Question 22

The question asked students to calculate UK national debt per head. The population data was in millions and the national debt data in billions. This proved difficult for some students who tried to do their calculation using the wrong number of zeros. Other students rounded their answer the wrong way. However, it was pleasing to note that most students correctly stated the answer in pounds and to the nearest thousand.

Question 23

Students were required to make two comparisons: each one being awarded up to two marks. Each comparison should have been between natural change in population and net migration, over the whole period. Many students compared the peak data for each data series in one comparison, and the lowest change in the second comparison. Marks were lost for not including the correct units (thousands) and/or the correct year.

Question 24

This question was generally answered well. Over 50% achieved full marks. Students needed to complete in a pie chart with three sectors and label them. The most common mistake was not segmenting the pie chart accurately.

Question 25

There was a wide spread of marks for this question. The better responses explained that a shortage of labour meant that many firms were finding it difficult to find the workers they required. They proceeded to link this to firms having to raise wages to attract workers, causing cost-push inflation. Some went on to explain how aggregate demand may increase due to higher incomes. The best answers made clear logical links in chains of reasoning.

Many students included an AD/AS diagram showing the SRAS curve shifting left. Others illustrated the inflationary pressures by shifting AD to the right. Some students included a microeconomic labour market diagram, which was also rewarded.

Low-scoring answers thought that a shortage of labour meant more unemployment and therefore more government spending. A number of students used production and productivity interchangeably, confusing the two concepts.

Question 26

This question was answered well by many students, with over 30% achieving Level 4 or above.

Many students started by identifying how macroeconomic performance is measured. They recognised that government spending on education and training is a supply-side policy and could explain the pros and cons of this policy. Higher-scoring students used the extracts to support their answer, and some considered whether other policies might be more effective in improving macroeconomic performance.

Less successful answers wrote generic evaluation points. The extracts referred to productivity but, as some in answers to Question 25, many students showed that they did not understand the difference between productivity and production.

The best responses finished by summarising the key arguments before concluding whether increased government spending on education and training is essential for achieving a long-term improvement in the UK's macroeconomic performance.

Question 27

Many were able to give relevant examples of a supply-side shock but often found it difficult to provide a full and precise definition.

Question 28

In general, students were either able to calculate the index correctly or were unable to answer the question. Just under half the students were awarded full marks but around a third didn't gain any marks. Some students knew how to calculate an index but lost marks because they used data from the wrong year.

Question 29

The most common approach was to compare the highest percentage change in business investment with the highest growth of real GDP, followed by a comparison of the lowest percentage change in business investment and the lowest growth of real GDP.

A common error was to use business investment (at 2019 prices) instead of the percentage change in business investment. Some omitted to use % sign when quoting the data to support their comparison.

Question 30

Around 50% of students scored full marks for their answer to this question. Those that dropped marks did so by not adding a key or not writing which sector was which on the bar chart.

Question 31

As with the equivalent Question 25, there was a wide spread of marks for this question. The best responses demonstrated a firm grasp of what is meant by 'productivity growth'. Most recognised that an increase in corporation tax would reduce firms' profits. Some understood why lower profits would lead to less investment in both physical and human capital and were able to explain why this was likely to translate into lower productivity growth. Students who presented clear, focused, logical chains of reasoning were awarded full marks.

The less successful answers didn't understand the difference between production and productivity and invariably this resulted in a confused response.

Question 32

The mean mark for this question was a little higher than for the equivalent Question 26 but similarly, over 30% achieved Level 4 or above. The best answers defined investment and the benefits of an increase in investment for the economy. They explained various policies that the government might use to increase investment and various benefits and problems associated with them. The high-achieving students summarised the key arguments before presenting a conclusion that directly addressed the essence of the question, namely, whether increased investment was necessary and if so, what, if anything, the Government should do. The best conclusions demonstrated some understanding of the complexities involved, highlighted the most significant issues and explained why some arguments carried more weight than others.

Many of the less successful answers did not use the extracts well or at all. Some included generic arguments about the merits of monetary, fiscal and supply-side policies, without linking them to the issues raised by this particular question.

Mark Ranges and Award of Grades

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