Questions matter

A-level
Economics

7136/1

Report on the Examination

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General

The first bullet point in section 7.2 of the specification reminds students and centres about quantitative skills. It states, 'In order to develop their skills, knowledge and understanding in economics, students need to have acquired competence in the quantitative skills that are relevant to the subject content, and which are applied in the context of an economics A-level.'

The paper comprises two parts. Section A includes data response questions requiring written answers and is worth 40 marks. Students have a choice of one from two contexts. Section B includes essay questions and is worth 40 marks. Students choose one from a choice of three sets of questions.

The paper is assessed predominantly using the levels of response mark scheme which is intended to provide a valid form of assessment to ensure students are appropriately rewarded. The responses are marked holistically. Examiners identify which relevant skills students have demonstrated: knowledge, application, analysis, and evaluation, and place the response in the most appropriate level in the mark scheme.

The paper was taken by almost 14 800 students. In Section A, Context 1, 'The market for university accommodation', was more popular than Context 2, 'Trade union membership and industrial disputes'. In Section B, Essay 1, why imperfect and asymmetric information lead to market failure in the market for food, and an evaluation of the view that the consumption of unhealthy foods can best be reduced through the use of nudges and other techniques from behavioural economics was slightly more popular than Essay 3, how the existence of economics and diseconomies of scale affect firms' average costs of production, and a discussion of the view that privatised industries, such as electricity and gas, should be taken back into public ownership. Essay 2, the likely impact on consumer and producer surplus as an industry moves away from a competitive market structure to one that is dominated by a few large firms, and an evaluation of the view that price discrimination is damaging for consumers, was the least popular.

Section A

Context 1

Question 1

Students were required to calculate the percentage increase in average university rent, in real terms, between 2015 and 2021, to one decimal place, having been given information regarding the impact of inflation on a basket of goods. Many students clearly found this question challenging, with less than 10% using the correct method and earning 2 marks. The most frequently occurring response, which earned 0 marks, was to calculate the percentage change in *money/nominal terms*. It's not clear whether this was due to misreading the question or because students were unaware of the difference between money and real terms. Section 7.2 of the specification, referred to above, states that students should be able to '*make calculations to convert from money to real terms'.* However, those students (less than 10%) who made this calculation and then subtracted 12 (the inflation calculation) earned 1 mark as an alternative response. 1 mark was also available for those students who gave the correct answer without units, or not rounded appropriately, or for those students who gave the wrong answer but had used the correct method. However, very few students scored marks this way.

Question 2

For the 4-mark questions (questions 2 and 6) students needed to demonstrate that they understood how the data provided in the extract supported a particular proposition. They needed to provide *evidence* from the data, and then *clearly explain* how the data was evidence to support the proposition.

Here students were required to explain how the data in Extract A (Figure 1 and Table 1) showed that the supply of university and private rental accommodation has failed to match the increase in student numbers between 2015 and 2021. Figure 1 showed the number of full-time students at UK universities, and the type of accommodation over the period, and Table 1 showed average weekly university rent in selected UK cities over the period. Whilst definitions were not essential, they helped to support the explanation. In some of the best answers the students often defined supply, demand and/or excess demand, and some added what they expected to see to support the proposition. They used accurate evidence from Figure 1 to link the faster growing numbers of students at universities, with the more slowly growing numbers of university and private rental accommodation, suggesting demand was growing faster than supply. They then supported this with evidence from Table 1, to link rising rents with the excess demand. The evidence quoted was often good, however, the main issue here was that a significant number of students ignored Table 1. In doing so they only made use of one of the data sources, rather than both as directed by the question and this limited the quality of their response. For those students who did make use of Table 1, they often quoted the percentage change in rents from question 1. However, provided that it was used appropriately, quoting the evidence in its original form was sufficient.

Question 3

In the 9-mark questions (questions 3 and 7) students are instructed to use a diagram to help them answer the question. Specifically, they should be encouraged to *integrate* the diagrams into their responses. An 'unused' diagram represents *application* of economics to the given context. However, once it is explained and used it forms part of the *analysis*, the chain of reasoning, and contributes more effectively to the response.

In this question students were asked to use a diagram to help them explain the impact of the increase in the number of students attending university on the market for student accommodation. They were also expected to draw on the information in the stem regarding price elasticity of supply (PES). A demand and supply diagram was expected, showing an inelastic supply curve, and a rightward shift in demand. The significant majority of diagrams were drawn correctly. This said, some students, possibly confused by the inelastic PES, showed a leftward shift in supply, rather than a shift in demand.

Some students began with definitions, such as demand, supply, PES, inelastic PES, or a combination of those. However, fewer students used definitions than in the responses seen to these questions in previous series. Many used evidence in the extracts to refer to the increase in student numbers attending university, and the subsequent increase in demand for student accommodation. Some mistakenly referred to this as 'derived' demand, rather than 'joint' or 'complementary' demand. Most were able to use their diagram to analyse the impact on the market in terms of price and quantity. However, in their simplest form, these responses lacked further development if they did not refer to PES. In some responses, students confused PES with PED. In the best responses, students explained the adjustment process, the elimination of the excess demand, and they also explained the impact of, and the possible reasons for, the inelastic PES using well-focused, logical chains of reasoning.

Question 4

Here students needed to use the extracts and their knowledge to discuss the advantages and disadvantages of policies the government might introduce to improve the market for student accommodation. This proved to be a very accessible question, with many students able to discuss the pros and cons of various policies such as maximum prices (rents), different types of subsidies, and deregulation, to a greater or lesser extent. Extract C provided a great source of support to students. It included policy suggestions, and also evaluative points about each. Many students drew from this, and successfully integrated prompts from the extracts into their responses. Some students wrote in purely theoretical terms which meant their responses lacked application and genuine context.

Many students used supporting diagrams and these were usually accurately drawn, however, some had missing labels, or were incomplete. For example, excess demand was not always shown on the maximum price diagram. Sometimes, not always, this led to incomplete analysis and weakened evaluation. In the best responses, students used diagrams very effectively to inform their analysis, and develop logical chains of reasoning to support evaluation and a justified conclusion.

As always, in the very best answers, students demonstrated their skill of evaluation throughout the 25-mark responses in Section A and Section B. For example, in this question, by making judgements on the likely effectiveness of each policy before coming to their final judgement. Generally, with these questions, in order to achieve a level 5 response, the evaluation should be supported by theoretical analysis and by the use of data from the extracts (if applicable) and the students' own examples and contexts. The latter is only obtained when students take an interest in real world issues, and this plays a huge role in enriching their answers.

Context 2

Question 5

Students were required to calculate the difference between the mean percentage trade union memberships in the private and public sectors over the period shown. This appeared to be a very accessible question, and almost 60% of students scored full marks. However, as with question 1, if students used the correct method but gave the wrong answer, or gave the correct answer without units, or not rounded appropriately, they were awarded 1 mark. 20% of students achieved 1 mark.

Question 6

Students needed to explain how the data in Extract D (Figure 2) showed that since 2015, living standards of people working in the private sector were likely to have increased compared to those working in the public sector. The data showed the percentage growth in average annual nominal earnings for both sectors over a period of time. As with question 2, whilst definitions were not essential, they often helped to support the explanations. Some students explained living standards. In addition to a definition or brief explanation, in the best answers the students said what they *expected* to find to address the question. In this case, a greater increase in the growth of average annual nominal earnings of private sector workers compared to the increase in the public sector, with an explanation to link this to living standards. They quoted accurate evidence from the data and then tied the answer up by saying how this evidence explained what had been asked for. However, some students misunderstood the data in the extract, and did not recognise that it referred to 'growth' of earnings. This meant that some of the evidence used was inaccurate. In some responses, students wrongly assumed the data in the extract showed 'level' of

earnings and wrongly concluded that private sector workers almost always had higher earnings than public sector workers. A small minority used the data in Table 2 which was not relevant.

Question 7

In this question students needed to use a diagram to help them explain how and to what extent a shortage of labour was likely to affect the wage in a competitive labour market. A simple labour market diagram was expected, showing disequilibrium in the form of excess demand for labour. Other appropriate diagrams were given credit as long as they were consistent with the accompanying explanation. The most frequently occurring diagram showed a leftward shift in the supply curve of labour, but very few showed the shortage/excess demand. Unfortunately, in most cases the accompanying explanation of the shortage was inaccurate.

Many responses tended to begin with an explanation of a competitive labour market. In simple terms, students were able to explain that a shortage of labour would lead to an increase in wages as firms would need to increase wages to attract more workers to the market. The confusion arose with the explanation of the shortage. Many students wrongly stated that a shortage of labour would lead to a leftward shift in the supply curve, rather than stating that a fall in supply/leftward shift in the supply curve (due to any reason) would lead to a shortage at the original market wage. Very few diagrams showed the resulting excess demand. Fewer diagrams began from the disequilibrium position than was expected. In the best answers, students developed their responses by analysing the adjustment to the equilibrium wage rate following the change in supply or demand, or from the original disequilibrium position.

An additional issue with this question was that a significant number of students did not consider ‘to what extent’ the shortage was likely to affect the wage. It is not possible to say whether they did not know how to respond, or whether they did not read the question thoroughly enough. However, in the best responses students typically referred to either the PED or PES labour, or a combination of the two.

Question 8

In this question students needed to use the extracts and their knowledge of economics to evaluate the view that trade unions improved the operation of labour markets by protecting the interests of workers. In the best answers students typically compared the outcomes of a trade union presence in a competitive labour market with a trade union presence in a monopsony labour market. They successfully integrated accurately drawn diagrams and relevant prompts from the extracts. In addition, they considered the wider view of the ‘operation of labour markets.’ They drew effectively from other pieces of evidence in the extracts regarding, for example, holiday and sickness pay, and/or the number of days lost due to strike action and the disruption caused to others. Not surprisingly, many students included their own knowledge of recent trade union campaigns, successful or otherwise, and this enhanced their responses. The combination of context and theoretical analysis enabled students to draw supported, sensible, and appropriate conclusions to evaluate whether or not trade unions improved the operation of labour markets. For those students who chose not to use the data, whilst their knowledge and analysis might have been good, these responses lacked the enrichment that the evidence from the extracts could have provided.

Section B

Essay One

Question 9

Essay 1 was the most popular question. Students needed to explain why imperfect and asymmetric information may lead to market failure in the market for food. Whilst many students began with definitions of imperfect and asymmetric information and market failure, some did not distinguish between the two types of information failure, and some did not include any definitions at all. It was clear that many students were comfortable with, and able to write generally about market failure, typically negative externalities in consumption. However, an issue with this question was that students did not always make the link between information failure and market failure sufficiently. Instead they typically discussed negative externalities in consumption in the context of 'junk food,' often using a diagram to support their response, but did not properly focus on the question. In the best responses, students dealt with each type of information failure separately, and, with the help of examples, explained the impact on decision making/the ability to make rational decisions as a source of market failure.

Question 10

In this question students were required to assess the view that the consumption of unhealthy foods can best be reduced through the use of nudges and other techniques from behavioural economics.

The question proved to be accessible to many students. Most were able to write about nudges and other behavioural techniques and provide relevant examples, however, some did so quite generally. They included little relevant economic terminology and their analysis was limited, so lacked the theoretical rigour that may have been present in questions 12 and 14. Consequently, although this question did not have the lowest mean mark, there were fewer level 4 and level 5 responses. In the best responses, students discussed at least two behavioural techniques, considered their pros and cons, and made a judgement on their likely effectiveness. They then went on to analyse and evaluate at least one traditional policy, often indirect taxation, as an alternative approach, before drawing their overall conclusions.

Essay 2

Question 11

Essay 2 was the least popular essay question. Question 11 required students to explain the likely impact on consumer surplus and producer surplus as an industry moves away from a competitive market structure to one that is dominated by a few large firms. Unfortunately, some students who attempted it struggled to explain, or did not attempt to explain, consumer and producer surplus, demonstrating confusion and misunderstanding. It had the lowest mean mark of the 15-mark questions, and the greatest proportion of level-1 responses. However, in the best answers students soundly defined both consumer and producer surplus, and distinguished between a competitive and more concentrated market. They often developed this by explaining some of the relevant characteristics. These responses tended to make use of at least one diagram showing the outcome in terms of price and quantity in each market structure, and the resulting impact on consumer and producer surplus. In the very best responses, students effectively used the diagram(s) to quantify these changes, using letters or shading, and some referred to the deadweight welfare loss.

Question 12

Here students needed to evaluate the view that price discrimination is damaging for consumers. In the best responses, students skilfully integrated theoretical analysis with a range of contexts to explain the impact of price discrimination on consumers. The examples and context really helped to bring the theory to life and give more support to their conclusions. Often these responses effectively used a range of diagrams to help develop their analysis further.

Weaker responses tended to fall into two categories. In some responses, students focused solely on higher prices, often in the context of peak-time train travel. They concluded that price discrimination was always damaging to everyone, and overlooked the lower prices charged to other consumers, so presented a very narrow view. In other responses, students merely provided a list of examples of price discrimination. A few picked up on the example in the stem to the question regarding broadband and mobile phone companies, and these responses contained very limited economic knowledge and analysis.

Essay 3

Question 13

In this question students needed to explain, using examples, how the existence of economies and diseconomies of scale affect firms' average costs of production. This question had the highest mean mark, and the highest proportion of level-3 marks. In the best responses, students logically dealt with both economies and diseconomies of scale and provided a couple of developed examples of each. They often included an effectively used diagram. With regard to economies of scale, some students distinguished between internal and external economies of scale, although this was not required to earn full marks.

Whilst the question appeared to be accessible to many students, in some responses there was evidence of 'inaccurate terminology. For example, some students referred to 'price' or 'costs' rather than 'average costs,' and this detracted from the quality of the response. Some students focused on the impact of economies and diseconomies of scale and strayed from the question. In others, there was evidence of confusion between diseconomies of scale and diminishing returns.

Question 14

Here students needed to assess the view that privatised industries, such as electricity and gas, should be taken back into public ownership. Like question 13 in Essay 3, it had the highest mean mark, and significantly more level-3, 4 and 5 marks were awarded. In the best answers, students compared the likely outcomes should an industry be taken back into public ownership, with a likely focus on consumer welfare, to the present situation as a privatised industry. They often considered the impact on various types of efficiency, but other pros and cons too. For example, the strategic benefits of public ownership, or the sheer cost of taking some industries into public ownership. They often made effective use of a range of diagrams. Importantly, these responses skilfully integrated relevant context and examples into their answers. Many drew on recent headlines, such as regarding water firms, in the context of 'weak' regulation, and energy firms, in the context of the cost-of-living crisis. This really helped to bring the theory to life and add weight and support to their evaluation. There were some particularly sophisticated responses to this question, where students meaningfully considered the type of industry before drawing pertinent and insightful conclusions.

Mark Ranges and Award of Grades

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