A-level
Economics

7136/2

Report on the Examination

7136
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General

In this report, senior examiners will summarise the performance of students in this series in a way that is as helpful as possible to teachers preparing future cohorts.

The paper this year saw a rise in the cohort taking Economics to almost 15,000 students. As with most years, there was a lean to one context more than another, and this year saw the majority of students (around 70%) opting for context 1 "Productivity and living standards" compared to context 2 "Globalisation and deglobalisation".

The split in the essays was much more even with essay 3 proving marginally more popular, and students were able to demonstrate a wide variety of economic knowledge applied to each different essay. It was quite encouraging to see students using their knowledge of current, or recent, events in economics to exemplify their answers.

Context 1

Question 1

This question required students to calculate a ratio of the UK's GDP per hour worked compared to the GDP per hour worked in Hungary. Most students were able to carry out the correct calculation and come to a figure of 1.48 or $1.48, however many did not express it as a ratio. Some students carried out the calculation the wrong way round which was not creditworthy. It is worth noting that if the UK's figure is larger than Hungary's figure, then you would expect the answer to be larger than $1.00.

Question 2

Question 2 asked students to "explain" how the data show that higher productivity may result in higher living standards. The majority picked out the highest productivity being in the UK and linked it to one of the indicators such as life expectancy or schooling. Some also considered the lowest productivity being in Hungary and the lower life expectancy or lower years of schooling. However, many students are not following the command word of "*explain*" and do not explain why these are indicators of higher living standards, other than just repeating the question in their answers.

Question 3

In this question, students were asked to explain how depreciation of the pound may cause inflation. Many students went down either the route of explaining demand-pull inflation with the effects on net trade or cost-push inflation with the effects on the cost of imports. Better responses analysed both effects. Weaker answers failed to include a relevant diagram or focused solely on potential causes of a depreciation. Some weaker answers also focused on causes of inflation not linked to the exchange rate eg the war in Ukraine.

Question 4

In question 4, students were asked whether the government should prioritise productivity improvements, to improve living standards in the UK. The majority of students were able to accurately define productivity and link productivity to supply-side improvements. Most students were also able to evaluate the effectiveness of these, for example considering drawbacks such as opportunity cost, time lags and impacts upon inequality. A minority could not make the link between productivity and living standards or confused living standards with just simple rises in income. Some students struggled to come up with alternatives despite clues and prompts in the context.

Context 2

Question 5

This calculation question required students the percentage change in Vietnam's GDP per capita. Most students were able to do this without an issue and correctly included the % sign and to 1 decimal place.

Question 6

As in question 2, the command word of "explain" proved to be a problem for students in many cases. Students could accurately quote data such as the larger rise in GDP per capita, the higher annual growth rate or the rise in exports but were unable to add explanation. Weaker responses confused what the actual data was showing.

Question 7

Most students were able to use a diagram, or two separate diagrams, to illustrate short and long run economic growth and many were able to give an accurate explanation of how reducing corporation tax could bring this about, linked to retained profits and investment. Some students confused corporation tax with costs of production and provided incorrect analysis.

Question 8

In this question, students were asked to discuss the view that the slowing, or reversal, of globalisation would be harmful to developing economies such as Vietnam. It is worth pointing out that the part of the question which stated "such as Vietnam" allowed students to discuss other nations. Most students considered the potential loss of exports and subsequent effects on unemployment and growth as well as the potential fall in FDI. Stronger responses considered the impact of trade wars between the US and China and the potential benefits for Vietnam. Weaker responses confused who was actually creating the rise in protectionism and were not able to fully describe who the impacts were affecting.

Section B

Essay 1

Question 9

The first essay question requires students to explain reasons why a country may enter a recession. Most students began by accurately defining a recession and linking this to reasons why AD may fall. Better responses often linked this to shocks and many considered demand-side and supply-side shock. Diagrams showing falling AD or falling SRAS were generally used quite well and there was often some good analysis of real-life events such as the credit crunch. Weaker responses gave implausible reasons or evaluated how government policy could be used to counteract the recession. It is worth reminding centres that there are no A04 marks in this type of question.

Question 10

Question 10 required students to assess whether an increase in the money supply is always damaging to an economy. Better students considered the term "always" in their evaluation. The strongest responses demonstrated a good understanding of the money supply, expansionary monetary policy, and quantitative easing to build up an argument around demand-pull inflation, asset price bubbles and cyclical instability. These answers often brought in related theories such as the quantity theory of money and the Fisher equation. Weaker responses tended to simply conflate the money supply with anything that would cause an increase in AD. The weakest response did not understand what the actual money supply was.

Essay 2

Question 11

This question required students to explain the factors which determine the NRU. The NRU is made up of voluntary unemployment such as structural and frictional, but it is also acceptable to argue that wage expectations above the market price, also contributes to the NRU, therefore real wage unemployment. The best answers used diagrams and explained issues such as occupational or geographical immobility. A minority of students considered demand deficient or cyclical unemployment in their responses which clearly is not a determinant on its own.

Question 12

Students were required to consider whether high employment are always beneficial for an economy. Most students accurately described the trade-off between low unemployment and inflation, often considering short-run Phillips curve analysis and the effects on demand-pull inflation. Better answers considered other trade-offs with the current account on the balance of payments for example. A minority of students failed to really consider the benefits of high employment, such as the effects on government finances, standards of living and inequality.

Essay 3

Question 13

Question 13 required students to explain how the multiplier and accelerator affect the overall level of economic activity. It is important to realise that the stem to the question is there as a prompt and students could answer this question regarding increases or decreases in economic activity. While most students were able to give some explanation of multiplier effects, not all were clear that it is caused by a change in injections, or how the marginal propensity to consume alters the size of the multiplier. A minority of students successfully demonstrated the change on a diagram but were unable to articulate how this change occurred. Some students mixed the concepts of the multiplier and accelerator into one without clearly explaining the differences. Only a few students showed a clear understanding of the accelerator effect, i.e. the change in firms planned capital investment being induced by a rise in real GDP.

Question 14

In this question, students were asked to evaluate whether or not increasing taxation was the best way to reduce a budget deficit. The majority of students understood the meaning of a budget deficit, and how increasing taxation could reduce the gap between government spending and government revenue. Most were also able to consider some potential drawbacks of this, for example in terms of reducing AD and potentially increasing cyclical unemployment, as well as reducing incentives to work, often accompanied by a Laffer curve diagram. Better responses considered the types of tax (progressive/regressive or direct/indirect) and the potential differences in their effects. Students also considered alternatives such as austerity or achieving growth. The strongest answers considered whether the solution to the deficit may depend upon whether the deficit was cyclical or structural and how this may shape policy.

Mark Ranges and Award of Grades

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