AQA

AS
Economics

7135/2 The national economy in a global context
Mark scheme

7135
June 2016

Version 1.0: Final Mark Scheme

Mark schemes are prepared by the Lead Assessment Writer and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation events which all associates participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the students' responses to questions and that every associate understands and applies it in the same correct way. As preparation for standardisation each associate analyses a number of students' scripts. Alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, associates encounter unusual answers which have not been raised they are required to refer these to the Lead Assessment Writer.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of students' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

Further copies of this mark scheme are available from aqa.org.uk

Copyright © 2016 AQA and its licensors. All rights reserved.
AQA retains the copyright on all its publications. However, registered schools/colleges for AQA are permitted to copy material from this booklet for their own internal use, with the following important exception: AQA cannot give permission to schools/colleges to photocopy any material that is acknowledged to a third party even for internal use within the centre.

Level of response marking instructions

Level of response mark schemes are broken down into levels, each of which has a descriptor. The descriptor for the level shows the average performance for the level. There are marks in each level.

Before you apply the mark scheme to a student's answer read through the answer and annotate it (as instructed) to show the qualities that are being looked for. You can then apply the mark scheme.

Step 1 Determine a level

Start at the lowest level of the mark scheme and use it as a ladder to see whether the answer meets the descriptor for that level. The descriptor for the level indicates the different qualities that might be seen in the student's answer for that level. If it meets the lowest level then go to the next one and decide if it meets this level, and so on, until you have a match between the level descriptor and the answer. With practice and familiarity you will find that for better answers you will be able to quickly skip through the lower levels of the mark scheme.

When assigning a level you should look at the overall quality of the answer and not look to pick holes in small and specific parts of the answer where the student has not performed quite as well as the rest. If the answer covers different aspects of different levels of the mark scheme you should use a best fit approach for defining the level and then use the variability of the response to help decide the mark within the level, ie if the response is predominantly level 3 with a small amount of level 4 material it would be placed in level 3 but be awarded a mark near the top of the level because of the level 4 content.

Step 2 Determine a mark

Once you have assigned a level you need to decide on the mark. The descriptors on how to allocate marks can help with this. The exemplar materials used during standardisation will help. There will be an answer in the standardising materials which will correspond with each level of the mark scheme. This answer will have been awarded a mark by the Lead Examiner. You can compare the student's answer with the example to determine if it is the same standard, better or worse than the example. You can then use this to allocate a mark for the answer based on the Lead Examiner's mark on the example.

You may well need to read back through the answer as you apply the mark scheme to clarify points and assure yourself that the level and the mark are appropriate.

Indicative content in the mark scheme is provided as a guide for examiners. It is not intended to be exhaustive and you must credit other valid points. Students do not have to cover all of the points mentioned in the indicative content to reach the highest level of the mark scheme.

An answer which contains nothing of relevance to the question must be awarded no marks.

SECTION A

The following list indicates the correct answers used in marking the candidates' responses.

KEY LIST

1	C	**11**	C
2	Accept: A or D or A AND D	**12**	A
3	A	**13**	C
4	D	**14**	D
5	A	**15**	C
6	C	**16**	B
7	C	**17**	A
8	B	**18**	B
9	D	**19**	A
10	D	**20**	B

	Total
A	5
B	4
C	7
D	4
	20

Level of response	Response	Max 25 marks
5	**Sound, focused analysis and well-supported evaluation that:** • is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • includes good application of relevant economic principles to the given context and, where appropriate, good use of data to support the response • includes well-focused analysis with clear, logical chains of reasoning • includes supported evaluation throughout the response and in a final conclusion.	**21–25 marks**
4	**Sound, focused analysis and some supported evaluation that:** • is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • includes some good application of relevant economic principles to the given context and, where appropriate, some good use of data to support the response • includes some well-focused analysis with clear, logical chains of reasoning • includes some reasonable, supported evaluation.	**16–20 marks**
3	**Some reasonable analysis but generally unsupported evaluation that:** • focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present • includes reasonable application of relevant economic principles to the given context and, where appropriate, some use of data to support the response • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes fairly superficial evaluation; there is likely to be some attempt to make relevant judgements but these are not well-supported by arguments and/or data.	**11–15 marks**
2	**A fairly weak response with some understanding that:** • includes some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely • includes some limited, application of relevant economic principles to the given context and/or data to the question • includes some limited analysis but it may lack focus and/or become confused • includes attempted evaluation which is weak and unsupported.	**6–10 marks**
1	**A very weak response that:** • includes little relevant knowledge and understanding of economic terminology, concepts and principles • includes application to the given context which, at best, is very weak • includes attempted analysis which is weak and unsupported.	**1–5 marks**

SECTION B

Context 1: FALLING WORLD COMMODITY PRICES GIVE THE UK ECONOMY A BOOST

Total for this Context: 50 marks

2 1 *Define 'expansionary monetary policy' **Extract C** (line 11).*

[3 marks]

Level of response	Response	Max 3 marks
3	• A full and precise definition is given.	**3 marks**
2	• The substantive content of the definition is correct, but there may be some imprecision or inaccuracy.	**2 marks**
1	• Some fragmented points are made.	**1 marks**

Examples of acceptable definitions, worth 3 marks:

- The government/central bank cutting interest rates/Bank Rate to increase aggregate demand
- Monetary policy involves the manipulation of interest rates, the supply of money/credit and the exchange rate. An expansionary monetary policy means that the Bank of England is attempting to increase aggregate demand by any one of the following: reducing interest rates/implementing QE/increasing the money supply/allowing the exchange rate to fall.

Examples of a definition worth 2 marks:

- The government/central bank cutting interest rates/Bank Rate
- The government/central bank increasing the money supply/quantitative easing

Examples of a definition worth 1 mark:

- Monetary policy is the use of interest rates, the supply of money/credit and the exchange rate to affect the economy
- Measures to increase aggregate demand

MAXIMUM FOR QUESTION 21: 3 MARKS

2 2 *Use **Extract A** to calculate, to two decimal places, the percentage change in the price of energy between September 2014 and March 2015.*

[4 marks]

Response	**Marks**
For a correct answer: - 41.42%	**4 marks**
For omitting the minus sign or the % sign: 41.42% **or** - 41.42 For a figure shown to 1 dp including the minus sign and the %: -41.4% or -41.416%	**3 marks**
Any other inaccurate figure in between 41% and 42% (with or without the minus sign and/or the % sign) **OR** 41.42 without both the minus sign and % sign.	**2 marks**
For a valid attempt at a calculation, even though the answer is incorrect, e.g. for showing the correct method: 48.3/116.62*100 (there might be an error in one of the figures but it is clear that the candidate understands how to calculate the percentage change e.g. correct calculation using world food prices.)	**1 mark**

Maximum of 3 marks if the final answer is inaccurate

MAXIMUM FOR QUESTION 22: 4 MARKS

2 3 *Use **Extract A** to identify **two** significant points of comparison between the index of world energy prices and the index of world food prices over the period shown.*

[4 marks]

Award up to 2 marks for <u>each</u> significant point of comparison made.

Response	Marks
Identifies a significant point of comparison Makes accurate use of the data to support the point of comparison identified. Unit of measurement given accurately, i.e. when quoting the figures, the candidate must make it clear that an index is being used	**2 marks**
Identifies a significant point of comparison but only one piece of data is given when two are needed **and/or** no unit of measurement is given **and/or** the unit of measurement is inaccurate **and/or** the wrong date is given. **OR** Identifies a significant feature of one data series with accurate use of the data (including the unit of measurement) but no comparison is made.	**1 mark**

If a Candidate identifies more than 2 significant comparisons, reward the best two.

Significant comparisons include:

- Both energy prices and food prices fell over the period. The index of energy prices fell from an index of 116.62 to 68.32 (41.42%) whilst the index of food prices fell from 101.26 to 94.10 (7.07%). If the percentages are used also allow 41% and 7%.
- The index of energy prices peaked in September 2014 at 116.62 whereas the index of food prices peaked in November 2014 at 103.03.
- Energy prices were at their lowest in January 2015 at an index of 63.06 whereas food prices were lowest in March 2015 when the index was 94.10.
- The only monthly rise in energy prices was between January and February 2015 when the index of energy prices rose from 63.06 to 70.46 (11.7%) whereas the only monthly rise in food prices was between October and November 2015 when the index rose from 100.68 to 103.03 (2.3%)
- The largest monthly fall in energy prices was between December 2014 and January 2015 when prices fell by 19.7% whereas the largest fall in food prices was between February and March 2015 when prices fell by 2.6%

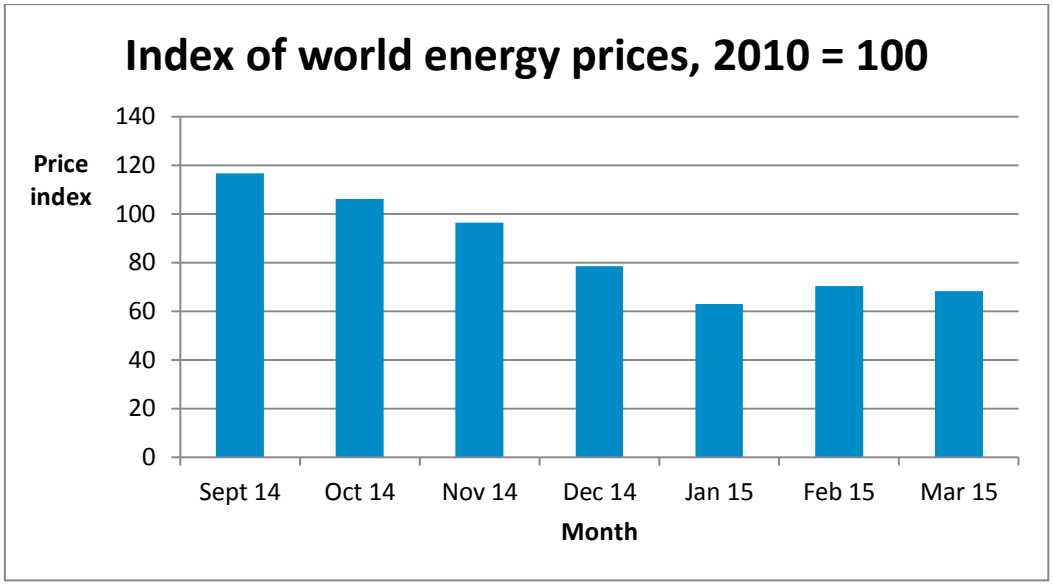
  (**Don't allow** the largest fall in the index, which was, for example, between November 2014 and December 2014 for energy prices)
- Energy prices were more volatile than food prices – there is a number of ways that the figures can be used to support this, for example the candidate might compare the ranges; the index of energy prices ranges from 116.62 to 63.06 whereas the index of food prices ranges from 103.03 to 94.10

MAXIMUM FOR QUESTION 23: 4 MARKS

2 4 *Use the data in **Extract A** to draw a bar chart to show the index of world energy prices between September 2014 and March 2015.*

[4 marks]

It is anticipated that candidates will draw a bar chart such as is illustrated below. It is not essential that the graph is given a title or that the vertical axis starts at an index of zero.



Response	Marks
Accurately drawn bar chart with both axes labelled correctly.	**4 marks**
Accurately drawn bar chart with one axis labelled correctly **OR** 5 or 6 bars drawn accurately with both axes labelled correctly	**3 marks**
Accurately drawn bar chart but neither axis is labelled correctly **OR** Between 4 and 6 bars drawn accurately with one axis labelled correctly **OR** At least 1 bar drawn accurately with both axes labelled correctly.	**2 marks**
No bars drawn accurately but both axes labelled correctly **OR** 2 or 3 bars drawn accurately but both axes labelled incorrectly **OR** At least 1 bar drawn accurately and one axis labelled correctly	**1 mark**

Charts with gaps between the bars and without are equally acceptable here. **Also accept bars with a discontinuity but if they simply start at a value above zero, deduct one mark from the mark obtained using the grid above.**

Notes:
For axes labels:
Horizontal: Sept 14; Oct 14; …….;Feb 15;Mar 15 ('Month' is not needed)
Vertical: Index of world energy prices

Allow ‘Price’ or ‘Price index’ or ‘Index’ on the vertical axis if it is clear that the figures refer to energy prices and are index numbers, e.g. this might be made clear if there is a title to the graph (e.g. as shown above) which includes the word ‘index’ or indicates ‘2010=100’

For drawing accuracy allow: +/- 2 index points

MAXIMUM FOR QUESTION 24: 4 MARKS

2 5 ***Extract B*** *(lines 6 to 8) states 'The weakness in global energy prices and food prices combined with the recent appreciation in the pound sterling exchange rate help to explain the recent fall in inflation in the UK'.*

Explain why a rise in the pound sterling exchange rate is likely to affect the rate of inflation in the UK.

[10 marks]

Level of response	An answer that:	Max 10 marks
3	• is well organised and develops one or more of the key issues that are relevant to the question • shows sound knowledge and understanding of relevant economic terminology, concepts and principles • includes good application of relevant economic principles and/or good use of data to support the response • includes well-focused analysis with a clear, logical chain of reasoning • may include a relevant diagram to support their explanation	**8 - 10 marks**
2	• includes one or more issues that are relevant to the question • shows reasonable knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present • includes reasonable application of relevant economic principles and/or data to the question • includes some reasonable analysis but it might not be adequately developed and may be confused in places • may include a relevant diagram to support their explanation	**4 - 7 marks**
1	• is very brief and/or lacks coherence • shows some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely • demonstrates very limited ability to apply relevant economic principles and/or data to the question • may include some very limited analysis but the analysis lacks focus and/or becomes confused • may include a diagram but the diagram is likely to be inaccurate in some respects or is inappropriate	**1 - 3 marks**

Relevant issues include:

- what is meant by 'a rise in the pound sterling exchange rate'
- how a rise in the exchange rate affects export and import prices
- the impact on aggregate demand and hence demand-pull inflation
- the possible consequences of falling import prices for cost-push inflationary pressures

MAXIMUM FOR QUESTION 25: 10 MARKS

2 6 ***Extract C*** *(lines 4 to 7) states 'Lower commodity prices have also been good for most businesses… However, not everyone benefits'.*

Use the data in the extracts and your knowledge of economics to assess the likely impact of the fall in world commodity prices on the performance of the UK economy.

[25 marks]

Areas for discussion include:

- what is meant by 'world commodity prices'
- the main macroeconomic policy objectives
- the impact of falling commodity prices on real disposable incomes in the UK
- the impact on spending on imports and hence the size of the withdrawals from the circular flow of income
- the impact on aggregate demand and short-run aggregate supply
- possible multiplier effects
- possible accelerator effects
- the UK as an oil-producing country but a net importer of oil
- the impact of falling commodity prices on inflation
- the impact on short-run and possibly long-run growth
- the impact on unemployment
- the impact on the current account of the UK balance of payments
- the possible impact on the budget balance
- the implications for different sectors of the economy, e.g. agriculture, North Sea oil industry and related sectors, manufacturing, construction and services
- the importance of whether or not the fall in commodity prices is sustained
- application to recent changes and the current state of the UK economy

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the candidate's response the question.

Use the levels mark scheme on page 5 to award candidates marks for this question.

MAXIMUM FOR QUESTION 26: 25 MARKS

Context 2:

Total for this Context: 50 marks

2 7 *Define 'labour productivity'* ***Extract F*** *(line 7).*

[3 marks]

Level of response	Response	Max 3 marks
3	• A full and precise definition is given.	**3 marks**
2	• The substantive content of the definition is correct, but there may be some imprecision or inaccuracy.	**2 marks**
1	• Some fragmented points are made.	**1 mark**

Examples of acceptable definitions, worth 3 marks:
- the output produced per person in a given period of time
- output per head per hour/week/year
- the average output per person employed per hour/week/year.

Example of a definition worth 2 marks:
- the output produced per person
- a formula such as output/number of workers (no time period mentioned).

Example of a definition worth 1 mark:
- the amount produced by workers
- the amount produced by the factor of production labour

Allow a maximum of 1 mark if there is confusion between production and productivity

MAXIMUM FOR QUESTION 27: 3 MARKS

2 8 *In 2006, the UK population was estimated to be 60 827 100 people. Use **Extract D** to calculate, to two decimal places, the percentage change in the size of the UK population between 2006 and 2013.*

[4 marks]

Response	**Marks**
For a correct answer: 5.39%	**4 marks**
For omitting the % sign: 5.39 For a figure shown to 1dp including the % sign: 5.4% allow 5.40%	**3 marks**
Any inaccurate figure in between 5% and 6% (with or without '%').	**2 marks**
For the correct value of the change in the size of the population between 2007 and 2013, i.e. 3278.6 thousands **OR** For a valid attempt at a calculation, even though the answer is incorrect, e.g. for showing the correct method: 3278.6/60827.1*100 (there might be an error in one of the figures but it is clear that the candidate understands how to calculate the percentage change)	**1 mark**

Maximum of 3 marks if the final answer is inaccurate

MAXIMUM FOR QUESTION 28: 4 MARKS

2 9 *Use **Extract D** to identify **two** significant points of comparison between the natural increase in the UK population and net migration into the UK.*

[4 marks]

Award up to 2 marks for <u>each</u> significant point of comparison made.

Response	Marks
Identifies a significant point of comparison. Makes accurate use of the data to support the comparison identified. Unit of measurement given accurately.	**2 marks**
Identifies a significant point of comparison but only one piece of data is given when two are needed **and/or** no unit of measurement is given **and/or** the unit of measurement is inaccurate **and/or** the wrong date is given. **OR** Identifies a significant feature of one data series with accurate use of the data (including the unit of measurement) but no comparison is made.	**1 mark**

If a Candidate identifies more than 2 significant points of comparison, reward the best two.

Significant points include:

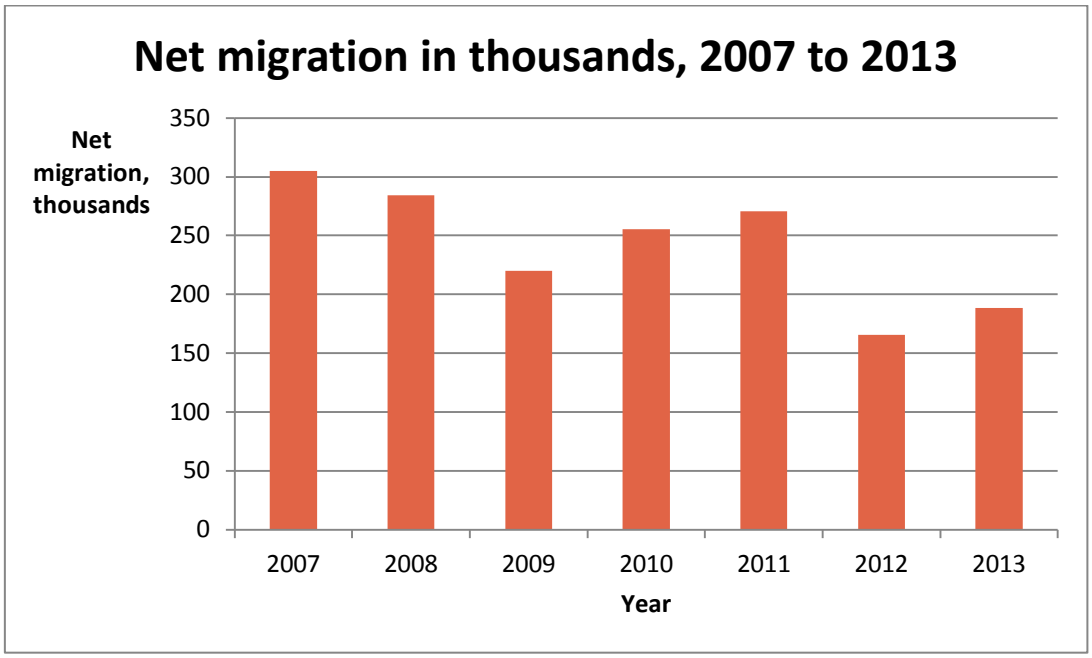
- The natural increase in the population was higher at the end of the period than at the start of the period whereas net migration was lower at the end of the period than at the start of the period. The natural increase rose from 187.1 thousand to 212.1 thousand and net migration fell from 304.9 thousand to 188.5 thousand.
- The natural increase in the population peaked in 2011 at 255.2 thousand whereas net migration peaked in 2007 at 304.9 thousand.
- The natural increase in the population was lowest in 2007 at 187.1 thousand whereas net migration was lowest in 2012 at 165.5 thousand.
- The largest fall in the natural increase in the population was between 2012 and 2013 when it fell by 42.3 thousand whereas the largest fall in net migration was between 2011 and 2012 when it fell by 105 thousand.
- The largest rise in the natural increase in the population was between 2007 and 2008 when it rose by 33.5 thousand whereas the largest rise in net migration was between 2009 and 2010 when it rose by 35.5 thousand.
- Net migration was more volatile than the natural increase in the population – there is a number of ways that the figures can be used to support this, for example the candidate might compare the ranges; net migration ranges from 165.5 thousand to 304.9 thousand whereas the natural increase in the population ranges from 187.1 thousand to 255.2 thousand.

MAXIMUM FOR QUESTION 29: 4 MARKS

3 0 *Use the data in **Extract D to** draw a bar chart to show net migration into the UK for each of the years between 2007 and 2013.*

[4 marks]

It is anticipated that candidates will draw a bar chart such as is illustrated below. It is not essential that the graph is given a title or that the vertical axis starts at zero.



Response	Marks
Accurately drawn bar chart with both axes labelled correctly.	**4 marks**
Accurately drawn bar chart with one axis labelled correctly **OR** 5 or 6 bars drawn accurately with both axes labelled correctly	**3 marks**
Accurately drawn bar chart but neither axis is labelled correctly **OR** Between 4 and 6 bars drawn accurately with one axis labelled correctly **OR** At least 1 bar drawn accurately with both axes labelled correctly.	**2 marks**
No bars drawn accurately but both axes labelled correctly **OR** 2 or 3 bars drawn accurately but both axes labelled incorrectly **OR** At least 1 bar drawn accurately and one axis labelled correctly	**1 mark**

Charts with gaps between the bars and without are equally acceptable here**. Also accept bars with a discontinuity but if they simply start at a value above zero, deduct one mark from the mark obtained using the grid above.**

Notes:
For axes labels:
Horizontal: 2007; 2008; …….2013 (The label 'Year' is not essential)
Vertical: Net migration, thousands.

Allow ‘Thousands’ or ‘Thousands of people’ on the vertical axis provided there is a title which states that the data refer to ‘net migration’. Allow ‘People’ provided there is a title which states that the data are in thousands.

For drawing accuracy allow: +/- 10,000

MAXIMUM FOR QUESTION 30: 4 MARKS

3 1 ***Extract E*** *(lines 1 to 3) states 'European migrants who arrived in the UK since 2000 have made a net contribution of more than £20bn to UK public finances.'*

Explain how immigration from the rest of Europe affects the UK government's budget deficit.

[10 marks]

Level of response	An answer that:	Max 10 marks
3	• is well organised and develops one or more of the key issues that are relevant to the question • shows sound knowledge and understanding of relevant economic terminology, concepts and principles • includes good application of relevant economic principles and/or good use of data to support the response • includes well–focused analysis with a clear, logical chain of reasoning • may include a relevant diagram to support their explanation.	**8 – 10 marks**
2	• includes one or more issues that are relevant to the question • shows reasonable knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present • includes reasonable application of relevant economic principles and/or data to the question • includes some reasonable analysis but it might not be adequately developed and may be confused in places • may include a relevant diagram to support their explanation.	**4 – 7 marks**
1	• is very brief and/or lacks coherence • shows some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely • demonstrates very limited ability to apply relevant economic principles and/or data to the question • may include some very limited analysis but the analysis lacks focus and/or becomes confused • may include a diagram but the diagram is likely to be inaccurate in some respects or is inappropriate.	**1 – 3 marks**

Relevant issues include:

- define the term budget deficit
- what happens to the budget deficit depends on what happens to tax revenue and public expenditure, eg if tax revenue increases more than public spending the deficit will fall
- the effect on revenue from different taxes, eg income tax, VAT and excise duties
- the effect on different types of public expenditure, eg cash benefits, merit goods
- why immigration does not have much effect on spending on public goods, eg defence
- explain that since many immigrants are young but of working age, they are less likely to make large demands on public expenditure
- migrants with young families may make demands on some public services such as education.

MAXIMUM FOR QUESTION 31: 10 MARKS

3 2 ***Extract F*** *(lines 1 to 2) states 'Immigration is very important for the UK economy; it is estimated that foreign-born people comprise around 15% of the UK labour force'.*

Use the data in the extracts and your economic knowledge to discuss the ways in which immigration affects the performance of the UK economy.

[25 marks]

Areas for discussion include:

- define immigration
- macroeconomic policy objectives
- impact on the total supply of labour
- possible consequence for labour productivity
- the impact on the productive capacity of the economy
- the impact on aggregate demand
- multiplier and accelerator effects
- consequences for employment and unemployment
- impact on the supply-side of the economy
- labour mobility
- human capital
- the ability of employers to recruit both skilled and unskilled workers
- the consequences for the flexibility of the labour market
- the implications for short-run and long-run growth
- the effect on both the level and distribution of wages, e.g. skilled versus unskilled workers
- comparing the implications for real GDP and real GDP per head
- the effect on living standards
- the effects on the distribution of income, inequality and poverty
- the impact on inflation
- possible effects on the balance of payments
- implications for public services
- implications for spending on infrastructure

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the candidate's response to the question.

Use the levels mark scheme on page 5 to award candidates marks for this question.

MAXIMUM FOR QUESTION 32: 25 MARKS

Context 1 and 2

	A01	A02	A03	A04	
Section B					**TOTAL**
Context 1					
21	3				**3**
22	2	2			**4**
23		4			**4**
24	2	2			**4**
25	2	3	5		**10**
26	3	5	6	11	**25**
Context 2					
27	3				**3**
28	2	2			**4**
29		4			**4**
30	2	2			**4**
31	2	3	5		**10**
32	3	5	6	11	**25**
MCQs	9	7	4		**20**
DRQ	12	16	11	11	**50**
Paper total	**21**	**23**	**15**	**11**	**70**