AS
ECONOMICS
7135/2

Paper 2 The national economy in a global context

Mark scheme

June 2019

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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 Examiner.

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.

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Section A

KEY LIST

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

Totals

A 4
B 7
C 5
D 4

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, i.e. 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.

The levels of response grid below should be used when marking the 25 mark questions.

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 ARTIFICIAL INTELLIGENCE **Total for this context: 50 marks**

2 1 *Define 'investment' **Extract C** (line 15).*

[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:

- an addition to the capital stock of the economy
- spending by firms on capital goods

Examples of a definition worth 2 marks:

- maintaining the size of the capital stock
- spending by firms to improve their machinery or technology or productivity (relates to capital, but capital is not stated)

Examples of a definition worth 1 mark:

- an injection to the circular flow of income
- firms expanding or developing their business
- increasing spending on workforce training (investment in human capital)

Examples of a definition worth 0 marks:

- an injection of money
- buying shares to earn a return

MAXIMUM FOR QUESTION 21: 3 MARKS

2 2 *Use **Extract A** to calculate the total number of jobs that could be lost in the health and social work **and** education industries as a result of automation.*

[4 marks]

Calculation involves:

(3 266 000 x 27%) + (4 177 000 x 35%) or equivalent

= 881 820 + 1 461 950

= 2 343 770

Response	**Max 4 marks**
For the correct answer: 2 343 770	**4 marks**
For an answer rounded to the nearest thousand: 2 344 000	**3 marks**
For an answer without thousands: 2344 or 2343 or 2343.7 or 2343.8 **OR** For an incorrect answer between 2 343 000 and 2 343 999 **OR** For a clear, correct method but the wrong answer: **eg** (3 266 000 x 27%) + (4 177 000 x 35%) **OR** For the correct answer for education: 881 820 **and** the correct answer for health and social work: 1 461 950, but not added together	**2 marks**
For the correct answer for education only: 881 820 **OR** For the correct answer for health and social work only: 1 461 950 **OR** For an incorrect answer without thousands between 2343.1 and 2343.6, or 2343.9	**1 mark**

MAXIMUM FOR QUESTION 22: 4 MARKS

2 3 *Use **Extract A** to identify **two** significant points of comparison between employment and the potential for automation in selected UK industries.*

[4 marks]

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

Response	Max 4 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.	**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. **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 student identifies more than 2 significant points of comparison, reward the best two.

Significant points include:

- the wholesale, retail and repair of motor vehicles industry has the greatest amount of employment, with 4 195 000 people employed, whereas the industry with the greatest % potential for automation of jobs is accommodation and food services, at 65%
- the agriculture, forestry and fishing industry has the smallest amount of employment, with 351 000 people employed, whereas the industry with the smallest % potential for automation of jobs is information and communication, at 23%
- the industry with the potential for most job losses due to automation is wholesale, retail and repair of motor vehicles, with 2 684 800 jobs at risk whereas the industry with the potential for fewest job losses due to automation is agriculture, forestry and fishing, with 214 110 jobs at risk
- the number of jobs ranges from 351 000 in the agriculture, forestry and fishing industry to 4 195 000 in the wholesale, retail and repair of motor vehicles industry, whereas the % of jobs with the potential for automation ranges from 23% in the information and communication industry to 65% in the accommodation and food services industry.

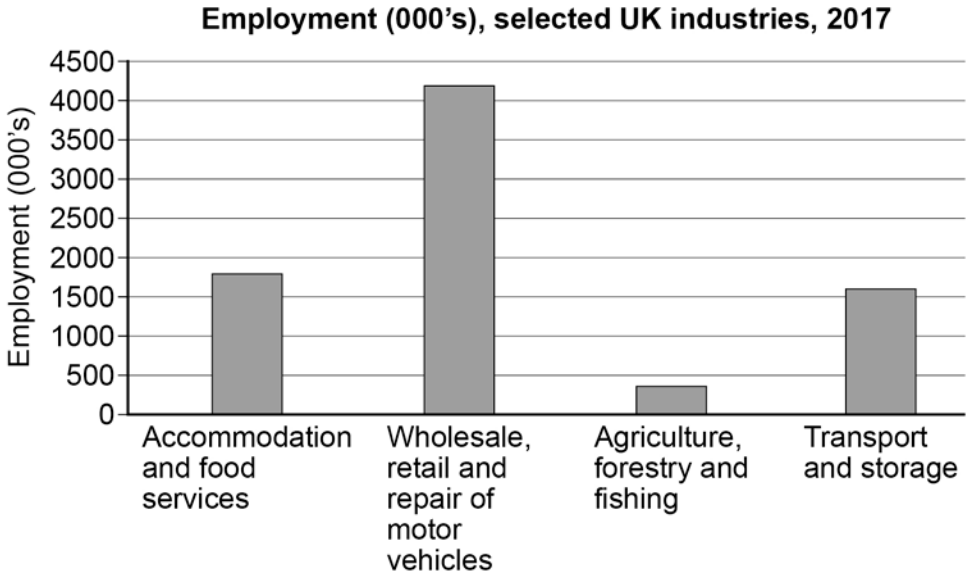
MAXIMUM FOR QUESTION 23: 4 MARKS

2 4 *Use **Extract A** to construct a bar chart to show employment in the **four** industries with the highest percentage of jobs under threat from automation in 2017.*

[4 marks]

The correct diagram involves four bars, with the correct height and labels (**and/or** a key):

- o accommodation and food services: 1 784 000
- o wholesale, retail and repair of motor vehicles: 4 195 000
- o agriculture, forestry and fishing: 351 000
- o transport and storage: 1 602 000



Response	Max 4 marks
Accurately drawn and fully labelled bar chart, i.e. labelled vertical axis, with all four bars correct plus a clear indication of which bar is which.	**4 marks**
Accurately drawn bar chart with vertical axis label missing/incorrect **OR** Accurately labelled bar chart but with one bar out of tolerance or incorrect.	**3 marks**
Bar chart with vertical axis label missing/incorrect **and** one bar out of tolerance **OR** Accurately labelled bar chart but with two bars out of tolerance or incorrect.	**2 marks**
Bar chart with one bar in tolerance but missing/incorrect labelling **OR** All bars labelled including the vertical axis/key but all bars out of tolerance or incorrect. **OR** Accurately drawn and fully labelled bar chart, i.e. labelled vertical axis, with all four bars correct plus a clear indication of which bar is which, **but** for the percentage of jobs with the potential for automation **or** total number of jobs that could be lost as a result of automation.	**1 mark**

Notes:

- **A chart with gaps between the bars is expected but do not penalise one with no gaps. Also accept bars with a discontinuity but if they start at a value above zero, deduct one mark from the mark obtained using the grid above.**
- **The bars need to be named according to the industry and/or a key added, but the figures do not need to be written on the bars.**
- **A title is not required.**
- **Allow a margin of ± 100 000.**
- the four industries with the highest percentage of jobs with the potential for automation are:
    - accommodation and food services: 65%
    - wholesale, retail and repair of motor vehicles: 64%
    - agriculture, forestry and fishing: 61%
    - transport and storage: 58%
- the four industries with the highest total number of jobs that could be lost as a result of automation are:
    - wholesale, retail and repair of motor vehicles: 2 684 800
    - health and social work: 1 461 950
    - manufacturing: 1 442 070
    - accommodation and food services: 1 159 600

MAXIMUM FOR QUESTION 24: 4 MARKS

2 5 ***Extract C*** *(lines 10–11) states 'It has announced increased government spending on technological education and training.'*

Explain how an increase in government spending could affect the national debt.

[10 marks]

Level of response	An answer that:	Max 10 marks
Level 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**
Level 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**
Level 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:

- meaning of government spending/fiscal policy/budget balance/national debt
- relationship between national debt and the budget position
- impact of increased government spending on the national debt, assuming no corresponding increase in taxation
- impact of increased government spending on the national debt, assuming a corresponding increase in taxation
- consideration of multiplier effects
- short-term/long-term effects.

MAXIMUM FOR QUESTION 25: 10 MARKS

2 6 ***Extract B*** *(lines 9–11) states 'Inevitably, some types of employment, industries and regions are likely to be affected more than others, and consequently we might expect to see a sharp rise in structural unemployment.'*

Use the extracts and your knowledge of economics to evaluate different policies that a government could use to try to prevent a rise in structural unemployment.

[25 marks]

Areas for discussion include:

- meaning of unemployment/employment/structural unemployment
- impact of automation on different types of employment
- types of structural unemployment
- types of government policies – supply-side/fiscal/monetary
- impact of government spending on education and training
- impact of infrastructure spending
- impact of investment
- importance of incentives to encourage investment – subsidies/reductions in corporation tax
- advantages and disadvantages of various government policies
- supply-side policies versus supply-side improvements
- consideration of the economic cycle
- consideration of the inequality gap
- consideration of changes in the rest of the world
- the opportunities provided by automation - is there a need for 'active' government intervention
- significance of occupational and geographical mobility of labour
- housing market reforms designed to increase the geographical mobility of labour
- industrial/regional policies
- imperfect knowledge/opportunity cost
- an overall assessment of the best policy/policies.

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

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

MAXIMUM FOR QUESTION 26: 25 MARKS

Context 2 UK EXPORTS **Total for this context: 50 marks**

2 7 *Define 'disinflation' **Extract F** (line 12).*

[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:

- a fall in the rate of inflation
- when the price level is rising more slowly

Examples of a definition worth 2 marks:

- when inflation changes from 3% to 2.7%

Examples of a definition worth 1 mark:

- when the price level rises slowly
- a slow rate of inflation

Examples of a definition worth 0 marks:

- when the price level falls
- slow growth in the rate of inflation
- if inflation grew by 3% last year and 2.7% this year

MAXIMUM FOR QUESTION 27: 3 MARKS

2 8 *Use **Extract D** to calculate the UK's **mean** trade balance with the selected non-EU countries in 2016.*

[4 marks]

Calculation involves

(£186 billion / 10) - (£164.1 billion / 10) or equivalent

= £18.6 billion - £16.41 billion

= £2.19 billion

Response	**Max 4 marks**
For the correct answer: £2.19 billion (£2 190 000 000)	**4 marks**
For the correct value but with missing units '£' **or** missing billion **OR** For an incorrect answer between £2.18 billion and £2.20 billion	**3 marks**
For the correct value 2.19, but with missing units '£' **and** missing billion **OR** For an answer rounded to the nearest billion: £2 billion **OR** For an incorrect answer between £2.18 billion and £2.20 billion with missing units '£' **or** missing billion **OR** For the answer - £2.19 billion (negative/deficit) **OR** For a clear, correct method but the wrong answer: **e.g.** (186 billion / 10) - (164.1 billion / 10) **OR** For the correct answer for the mean value of exports: £18.6 billion **and** the correct answer for the mean value of imports: £16.41 billion, but not subtracted to give the mean trade balance.	**2 marks**
For the correct answer for the mean value of exports only: £18.6 billion **OR** For the correct answer for the mean value of imports only: £16.41 billion **OR** For calculating the total trade balance: £21.9 billion (not the mean) **OR** For an incorrect answer between 2.18 and 2.20 with missing units '£' **and** 'billion' **OR** For the answer - £2.19 billion (negative/deficit) with missing units '£' **or** missing billion	**1 mark**

MAXIMUM FOR QUESTION 28: 4 MARKS

2 9 *Use **Extract D** to identify **two** significant points of comparison between the geographical breakdown of UK exports and imports.*

[4 marks]

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

Response	Max 4 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.	**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. **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 student identifies more than 2 significant points of comparison, reward the best two.

Significant points include:

- the greatest value of exports from the UK goes to the USA, at £99.6 billion, and the greatest value of imports to the UK comes from the USA, at £66.3 billion
- the lowest value of exports from the UK goes to Brazil, at £3.0 billion, whereas the lowest value of imports to the UK comes from Saudi Arabia, at £2.2 billion
- the largest trade deficit is with China, at £25.5 billion, whereas the smallest trade deficit is with South Africa, at £0.1 billion
- the largest trade surplus is with the USA, at £33.3 billion, whereas the smallest trade surplus is with Brazil, at £0.6 billion
- the largest trade deficit is with China, at £25.5 billion, whereas the largest trade surplus is with the USA, at £33.3 billion
- the smallest trade deficit is with South Africa, at £0.1 billion whereas the smallest trade surplus is with Brazil, at £0.6 billion
- the value of exports has a range of £96.6 billion, whereas the value of imports has a range of £64.1 billion

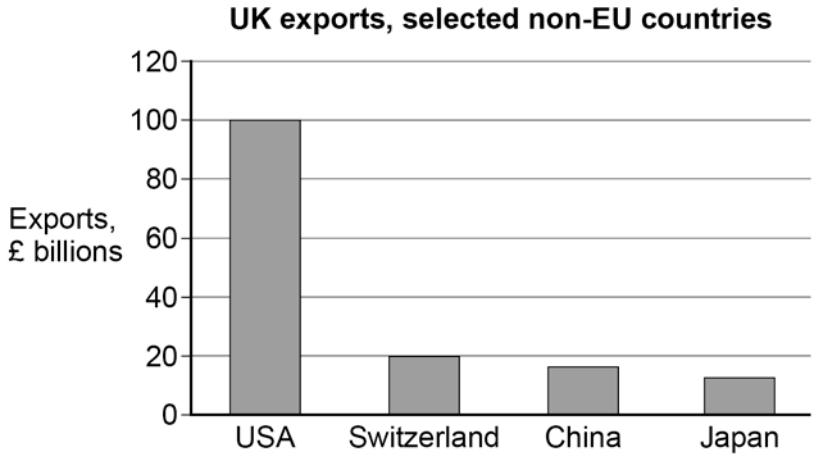
MAXIMUM FOR QUESTION 29: 4 MARKS

3 0 *Use **Extract D** to construct a bar chart to show the UK's **four** largest single export markets to non-EU countries.*

[4 marks]

The correct diagram involves four bars, with the correct height and labels (**and/or** a key):

- USA: £99.6 bn
- Switzerland: £21 bn
- China: £16.8 bn
- Japan: £12.5 bn



Response	Max 4 marks
Accurately drawn and fully labelled bar chart, i.e. labelled vertical axis, with all four bars correct plus a clear indication of which bar is which.	**4 marks**
Accurately drawn bar chart with vertical axis label missing/incorrect **OR** Accurately labelled bar chart but with one bar out of tolerance or incorrect.	**3 marks**
Bar chart with vertical axis label missing/incorrect **and** one bar out of tolerance **OR** Accurately labelled bar chart but with two bars out of tolerance or incorrect.	**2 marks**
Bar chart with one bar in tolerance but missing/incorrect labelling **OR** All bars labelled including the vertical axis/key but all bars out of tolerance or incorrect. **OR** Accurately drawn and fully labelled bar chart, ie labelled vertical axis, with all four bars correct plus a clear indication of which bar is which, **but** for the four largest single i**mport** values from non-EU countries **or** the four largest **trade surpluses**.	**1 mark**

- **A chart with gaps between the bars is expected but do not penalise one with no gaps. Also accept bars with a discontinuity but if they start at a value above zero, deduct one mark from the mark obtained using the grid above.**
- **The bars need to be named according to the industry and/or a key added, but the figures do not need to be written on the bars.**
- **A title is not required.**
- **Allow a margin of ± £2 billion.**
- The four largest single **import** values from non-EU countries are:
    - USA £66.3bn
    - China £42.3bn
    - Switzerland £13.7bn
    - Japan £11.5bn

MAXIMUM FOR QUESTION 30: 4 MARKS

3 1 ***Extract F*** *(lines 8–10) states 'Hopefully, firms will feel encouraged by the increases in demand and output, and, according to the accelerator process, this should have positive effects on investment.'*

Explain how the accelerator process is likely to affect economic growth.

[10 marks]

Level of response	An answer that:	Max 10 marks
Level 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**
Level 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**
Level 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:

- meaning of accelerator/investment/economic growth
- relationship between accelerator and investment
- impact of increased investment on AD/short-run economic growth
- impact of increased investment on LRAS/long-run economic growth
- consideration of multiplier effects.

MAXIMUM FOR QUESTION 31: 10 MARKS

3 2 ***Extract E*** *(lines 17–19) states '…it is important that the increase in exports seen towards the end of 2017 is sustained. It is needed to reduce the trade deficit and have other positive impacts on the economy.'*

Use the extracts and your knowledge of economics to discuss the significance of an increase in exports for the performance of the UK economy.

[25 marks]

Areas for discussion include:

- meaning of exports/performance of the UK economy/macroeconomic objectives
- impact of an increase in exports on AD
- impact of an increase in exports on the balance of trade/balance of payments on current account
- consideration of an increase in imports
- impact of an increase in exports on employment/unemployment
- impact of an increase in exports on inflation
- impact of an increase in exports on short-run and long-run economic growth
- importance of investment
- impact of accelerator/multiplier effects
- importance of seeking out and trading in wider markets
- importance of productivity/efficiency gains
- importance of consumption
- importance of complementary government policies
- importance of supply-side policies and/or improvements
- consideration of the exchange rate
- consideration of cost-push pressures/tightening of monetary policy
- consideration of changes in the rest of the world
- an overall assessment of the significance of an increase in exports.

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

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

MAXIMUM FOR QUESTION 32: 25 MARKS