AQA

AS
ECONOMICS
7135/2

Paper 2   The National Economy in a Global Context

Mark scheme

June 2020

Version: 1.0 Final Mark Scheme

206A7135/2/MS

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.

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

Section A

KEY LIST

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

Totals

A 5
B 6
C 4
D 5

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.

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 THE UK RETAIL INDUSTRY   **Total for this context: 50 marks**

| 2 | 1 | *Define 'falling exchange rate' in **Extract B** (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:

- when the value of one currency in terms of another depreciates/weakens/is worth less

- the value of one currency in comparison to another currency. One currency reduces in value/weakens/depreciates compared to the other.

Examples of a definition worth 2 marks:

- £1 = US$1.40 becomes £1 = US$1.30

- when the value of one currency in terms of another *falls* – ie no alternative to 'falling'

Examples of a definition worth 1 mark:

- a depreciating currency

- the value of one currency compared to another.

MAXIMUM FOR QUESTION 21: 3 MARKS

| 2 | 2 | *Use **Extract B** to calculate, to **two** decimal places, the ratio of internet sales to £1 worth of all retail sales in November 2013.* |

[4 marks]

Calculation:
£827m / £6806.7m = £0.12 : £1

Response	Max 4 marks
For the correct answer: 0.12 : 1 **also** allow £0.12 : £1	**4 marks**
For an answer not rounded to two decimal places: 0.1 : 1 or 0.121 : 1 **OR** For an answer expressed the wrong way around: 1 : 0.12 correctly rounded to two decimal places	**3 marks**
For an answer calculated the other way around, (£6806.7m / £827m): 1 : 8.23 correctly rounded to two decimal places **OR** For an answer not expressed as a ratio: 0.12 or 12%	**2 marks**
For identifying the correct figures for the calculation: 827m and 6806.7m, with or without the £ sign **OR** For an answer not expressed as a ratio without units **AND** not rounded to two decimal places: 0.1 or 0.121	**1 mark**

MAXIMUM FOR QUESTION 22: 4 MARKS

| 2 | 3 | *Use **Extract A** to identify **two** significant points of comparison between the percentage change in the value of all retail sales and internet sales over the period shown.* |

[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 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 value of both retail sales and internet sales has grown continuously over the period shown, for example, retail sales grew by 3% in January 2016 compared to the same month a year earlier, and by 4% in January 2019, internet sales grew by 16.2% in January 2016 compared to the same month a year earlier and by 11.8% in January 2019.

- growth in the value of internet sales has been higher than growth in the value of retail sales throughout the period shown, for example, internet sales grew by 16% in January 2016 compared to the same month a year earlier, whereas retail sales grew by 3% in January 2016 compared to the same month a year earlier.

- the largest growth in the value of internet sales occurred in October 2016 when it grew by 31% compared to the same month a year earlier, similarly the largest growth in the value of retail sales also occurred in October 2016 when it grew by 6% compared to the same month a year earlier.

- the lowest growth in the value of internet sales occurred in October 2017 when it grew by 9% compared to the same month a year earlier, whereas the lowest growth in the value of retail sales occurred in April 2016 when it grew by 1% compared to the same month a year earlier.

- the percentage change in the value of internet sales compared to the same month a year earlier had a greater range than the percentage change in the value of retail sales over the period shown, the range for internet sales was 22% points, from 31% to 9%, whereas the range for retail sales was 5% points, from 6% to 1%.

Note: these figures are taken from actual data, allow a tolerance of +/– 1% points.
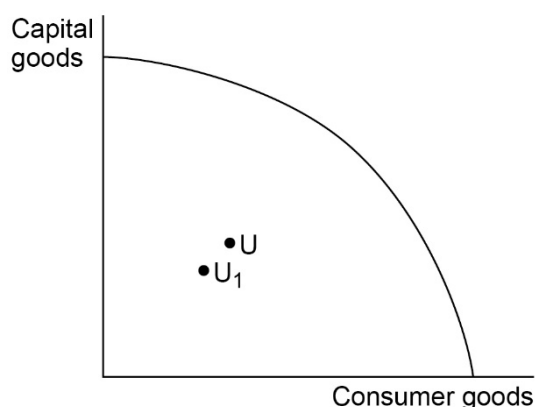
MAXIMUM FOR QUESTION 23: 4 MARKS

2 4 | ***Extract B*** *(lines 9–11) states: 'Taking into account pubs, restaurants and other shops, a further 4042 premises became empty, increasing spare capacity in the economy.'*

*Draw a production possibility curve diagram for an economy producing capital goods and consumer goods to show an **increase** in spare capacity in the economy.*

[4 marks]

The correct diagram involves a curve bowed out from the origin (or allow a straight line) between two appropriately-labelled axes, with an initial point on or within the curve, and a second point, further away from the curve, to show an increase in spare capacity. Both points should be appropriately labelled.

Response	Max 4 marks
Accurately drawn production possibility curve with an initial point on or within the curve, and a second point further away from the curve to show an increase in spare capacity.	**4 marks**
Accurately drawn production possibility curve with an initial point on or within the curve, and a second point further away from the curve to show an increase in spare capacity with a least one axis or other label missing or inappropriate.	**3 marks**
Accurately drawn production possibility curve with an initial point on or within the curve, and appropriate axis and other labels, but no, or an incorrectly positioned, second point to show an increase in spare capacity.	**2 marks**
Accurately drawn production possibility curve with an initial point on or within the curve, with at least one axis or other label missing or inappropriate, and no, or an incorrectly positioned, second point to show an increase in spare capacity. **OR** Accurately drawn production possibility curve with appropriately labelled axes.	**1 mark**

Notes: a title is not required.
Coordinates and grid lines leading to the x and y axis are not required.

MAXIMUM FOR QUESTION 24: 4 MARKS

2 5 *Extract C (lines 3–4) states: 'Household consumption accounts for approximately 60% of aggregate demand so has a vital role to play in the economy.'*

*Explain **two** factors that could cause a fall in consumption.*

[10 marks]

Level of response	An answer that:	Max 10 marks
Level 3	- identifies two valid factors - 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	- identifies at least one valid factor - 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	- identifies at least one valid factor - 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 consumption
- higher unemployment
- lower income
- contractionary fiscal/monetary policy
- gloomy expectations
- confidence
- consideration of multiplier effects
- short-term/long-term effects.

MAXIMUM FOR QUESTION 25: 10 MARKS

2 6 | ***Extract C*** *(line 1) states: 'So, is the changing retail industry and the decline in the high street bad news for the economy?'*

Use the extracts and your knowledge of economics to assess whether the changes taking place in the retail industry are likely to cause lasting damage to UK macroeconomic performance.

[25 marks]

Areas for discussion include:

- the retail industry
- the measurement of UK macroeconomic performance
- why and how the changes in the retail industry might affect AD
- why and how the changes in the retail industry might affect the supply-side performance of the economy
- the components of AD: consumption, investment, government spending, international trade
- impact on unemployment/employment
- impact on inflation
- impact on economic growth
- impact on the balance of payments on current account
- consideration of the extent of the changes in the retail industry
- consideration of creation of economic activity in other areas of the economy
- the role of investment and economic activity
- the role of government and economic activity
- multiplier/accelerator effects
- consideration of the success of macroeconomic policy – fiscal, monetary and supply-side
- consideration of the economic cycle
- the importance of confidence/uncertainty
- the importance of external influences
- consideration of 'lasting' damage – short term versus long term.

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 students marks for this question.

MAXIMUM FOR QUESTION 26: 25 MARKS

Context 2 CONFLICTING ECONOMIC OBJECTIVES　　　**Total for this context: 50 marks**

| 2 | 7 |　*Define 'growing budget deficit' in **Extract F** (lines 15–16).*

[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:

- when the government's borrowing requirement increases over a period of time.

- when government spending is greater than tax revenues in a financial year, and the difference between the two increases from one year to the next.

Examples of a definition worth 2 marks:

- when government spending is greater than tax revenues

- when the government's borrowing requirement *grows* – ie no alternative to 'growing'.

Examples of a definition worth 1 mark:

- increasing spending and lower taxes

- part of fiscal policy.

MAXIMUM FOR QUESTION 27: 3 MARKS

2 8   *Use **Extract E** to calculate, to **two** decimal places, the ratio of cars produced in the UK for export markets to each car produced for the home market, for the year ended December 2018.*

[4 marks]

Calculation:
1 237 608 / 281 832 = 4.39 : 1

Response	Max 4 marks
For the correct answer: 4.39 : 1	**4 marks**
For an answer not rounded to two decimal places: 4.4 : 1 or 4.391 : 1 **OR** For an answer expressed the wrong way around: 1 : 4.39 correctly rounded to two decimal places	**3 marks**
For an answer calculated the other way around (281 832 /1 237 608): 1 : 0.23 correctly rounded to two decimal places **OR** For an answer not expressed as a ratio: 4.39 or 439%	**2 marks**
For identifying the correct figures for the calculation: 1 273 608 and 281 832 **OR** For an answer not expressed as a ratio **AND** not rounded to two decimal places: 4.4 or 4.391	**1 mark**

MAXIMUM FOR QUESTION 28: 4 MARKS

| 2 | 9 | *Use **Extract D** to identify **two** significant points of comparison between the percentage change in UK car production for export and home markets over the period shown.* |

[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 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 number of cars produced for both home and export markets was growing at the start of the period, but was falling by the end of the period. For example, cars produced for the home market grew by 2% in January 2016 but fell by 5% in January 2019, cars produced for the export market grew by 10% in January 2016 but fell by 21% in January 2019.

- generally, more periods of growth have been seen in cars produced for the export markets than those produced for the home market. The percentage change in cars produced for the export market was only negative on four of the dates shown compared to the same month a year earlier, the first of which occurred in April 2017 with a percentage change of –18%, whereas, the percentage change in cars produced for the home market was only positive on four of the dates shown, the first negative change was seen in April 2017 with a percentage change of –8%.

- the largest growth in cars produced for the home market occurred in July 2017 when it grew by 18%, similarly the largest growth in cars produced for the export market occurred in April 2016 when it grew by 24%.

- the largest fall in cars produced for the home market occurred in July 2018 when it fell by 35%, similarly the largest fall in cars produced for the export market occurred in January 2019 when it fell by 21%.

- the percentage change in cars produced for the home market had a greater range than the percentage change in cars produced for the export market over the period shown, the range for home market production was 53% points, from 18% to –35%, whereas the range for the export market was 45% points, from 24% to –21%.

Note: these figures are taken from actual data, allow a tolerance of +/– 2% points.
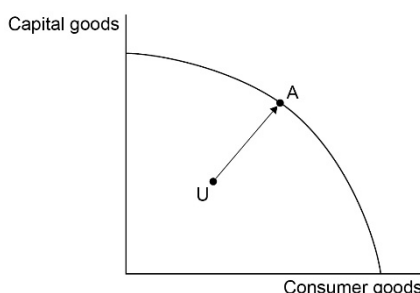
MAXIMUM FOR QUESTION 29: 4 MARKS

| 3 | 0 | *Extract F (lines 4–5) states: 'As more workers receive higher in-work income, consumption would be expected to rise, leading to short-run economic growth.'* |

Draw a production possibility curve diagram for an economy producing capital goods and consumer goods to show short-run economic growth.

[4 marks]

The correct diagram involves a curve bowed out from the origin (or allow a straight line) between two appropriately-labelled axes, with an initial point within the curve to show spare capacity, and a second point on the curve, or closer towards the curve, to show short-run growth. Both points should be appropriately labelled. An arrow is not necessary if the outcome is clear.

Response	Max 4 marks
Accurately drawn production possibility curve with an initial point within the curve to show spare capacity, and a second point on the curve, or closer towards the curve, to show short-run growth. **OR** Accurately drawn production possibility curve with an initial point on the boundary with a new boundary shifted to the right and a new point on or near the new boundary.	**4 marks**
Accurately drawn production possibility curve with an initial point within the curve to show spare capacity, and a second point on the curve, or closer towards the curve, to show short-run growth with a least one axis or other label missing or inappropriate.	**3 marks**
Accurately drawn production possibility curve with an initial point within the curve to show spare capacity, and appropriate axis and other labels, but no, or an incorrectly positioned, second point to show short-run growth.	**2 marks**
Accurately drawn production possibility curve with an initial point within the curve to show spare capacity, with at least one axis or other label missing or inappropriate, and no, or an incorrectly positioned, second point to show short-run growth **OR** Accurately drawn production possibility curve with appropriately labelled axes.	**1 mark**

Notes: a title is not required.
Coordinates and grid lines leading to the x and y axis are not required.

MAXIMUM FOR QUESTION 30: 4 MARKS

| 3 | 1 | *Extract E (lines 9–10) states: 'Inevitably, the volume of exports will fall, and it is highly likely that the trade deficit will increase further.'* |

Explain **two** factors that could cause a fall in the volume of UK exports.

[10 marks]

Level of response	An answer that:	Max 10 marks
Level 3	• identifies two valid factors • 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	• identifies at least one valid factor • 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	• identifies at least one valid factor • 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 exports/volume of exports
- closure of UK manufacturing firms
- gloomy expectations/slowdown/recession overseas
- appreciation in the sterling exchange rate
- fall in UK labour/capital productivity
- higher UK inflation compared with abroad
- lower investment/R & D/lower quality
- protectionism/lack of trade agreements

MAXIMUM FOR QUESTION 31: 10 MARKS

| 3 | 2 |

Extract F *(lines 13–17) states: '…it is not easy for a government to achieve all of its macroeconomic objectives at the same time…...if confidence improves and the manufacturing industry picks up, it will be difficult to avoid more inflationary pressures.'*

Use the extracts and your knowledge of economics to assess the view that as the rate of economic growth increases, a rise in inflation is inevitable.

[25 marks]

Areas for discussion include:

- economic growth
- inflation
- conflicting macroeconomic objectives
- why short-run growth may lead to demand-pull inflationary pressures
- why short-run growth may lead to cost-push inflationary pressures
- why long-run economic growth and/or improvements in productivity might help to moderate inflationary pressures
- Consideration of supply side improvements / supply side polices
- consideration of the extent of spare capacity
- impact on unemployment/employment
- export-led growth
- investment
- multiplier/accelerator effects
- consideration of the extent of the changes in the manufacturing industry
- consideration of creation of economic activity in other areas of the economy
- consideration of the success of macroeconomic policy
- consideration of the economic cycle
- the importance of confidence/uncertainty
- the importance of external influences
- consideration of 'inevitable'.

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 students marks for this question.

MAXIMUM FOR QUESTION 32: 25 MARKS