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AQA A-LEVEL ECONOMICS: QUESTIONS BY TOPIC

Individual Economic Decision Making

AQA A-level Economics 7136 — Topic 4.1.2

6 questions · 44 marks · Mark schemes included

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HOW TO USE THIS BOOKLET

Questions are grouped by specification sub-topic and run from the lowest mark tariff to the highest within each one.

Click any row below to jump straight to that sub-topic or question.

On every question page, click ANSWER in the top-right corner to jump to its mark scheme.

Diagrams, graphs, tables and data are printed exactly as they appeared in the original papers.

QUESTION	SOURCE	MARKS	PAGE
4.1.2.3 ASPECTS OF BEHAVIOURAL ECONOMIC THEORY		2 Qs · 16 marks	3
1. Q07	A-level Paper 3, Section A (MCQ) June 2023	1	4
2. Q09	A-level Paper 1, Essay 1 June 2019	15	5
4.1.2.4 BEHAVIOURAL ECONOMICS AND ECONOMIC POLICY		4 Qs · 28 marks	8
3. Q02	A-level Paper 3, Section A (MCQ) June 2022	1	9
4. Q01	A-level Paper 3, Section A (MCQ) June 2025	1	10
5. Q13	A-level Paper 3, Section A (MCQ) November 2021	1	11
6. Q10	A-level Paper 1, Essay 1 June 2024	25	12



QUESTIONS

6 questions · 44 marks · 2 sub-topics



SUB-TOPIC 4.1.2.3

ASPECTS OF BEHAVIOURAL ECONOMIC THEORY

Sub-topic 4.1.2.3 · 2 questions · 16 marks · lowest tariff first



5

07

Following flooding, described by the Environment Agency as a 'once in a century event', there is a sharp increase in the number of residents of a large town who buy additional flood insurance.

Which one of these combinations of biases in decision making are the residents most likely to have experienced?

[1 mark]

- A Anchoring and framing bias
- B Availability bias and social norms
- C Rules of thumb and anchoring
- D Social norms and rules of thumb

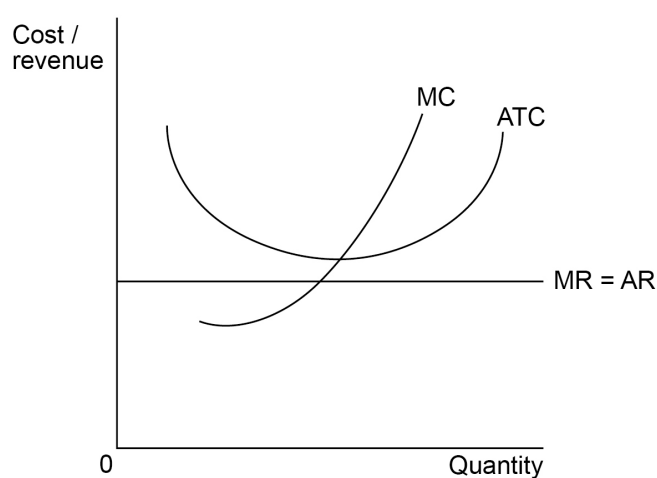
☐☐☐☐

08

Figure 3 shows the marginal cost (MC) and average total cost (ATC) curves for a firm in the short run in a perfectly competitive market.

It also shows the firm's marginal revenue (MR) and average revenue (AR) curves.

Figure 3



What changes can be expected as the market moves into the long run?

[1 mark]

- A New firms will enter the market, increasing supply
- B Some firms will leave the market and the price will rise
- C The firm will reduce its output to reduce its average total cost
- D The firm will reduce its price to increase its market share

☐☐☐☐

Turn over ►



05

IB/G/Jun23/7136/3

Section B

Answer **one** essay from this section.

Each essay carries 40 marks.

EITHER**Essay 1**

For a long time, supermarkets and other commercial firms have understood the benefits of behavioural economic concepts such as choice architecture and framing. The public sector has been slow off the mark, but at last governments are now taking advantage of the opportunities provided by nudging.

0	9
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Explain how rules of thumb and irrationality can affect consumers' demand for goods and services.

[15 marks]

1	0
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Using examples to illustrate your answer, assess the usefulness of behavioural economic theory compared to traditional economic policies in helping governments to correct market failures

[25 marks]

OR**Essay 2**

Several loss-making retailers including Homebase, House of Fraser and Poundworld have had to decide whether to shut down operations or carry on while making losses. In contrast, the music-streaming firm Spotify was valued at \$27 billion in 2018, despite never having made a profit in any year since it was founded. Spotify has been more focused on expanding market share.

1	1
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Explain the factors a profit-maximising firm will take into account when deciding whether to shut down or to carry on operating, both in the short run and in the long run.

[15 marks]

1	2
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Discuss the validity of the traditional economic assumption that the main objective of firms is to maximise profits.

[25 marks]

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SUB-TOPIC 4.1.2.4

BEHAVIOURAL ECONOMICS AND ECONOMIC POLICY

Sub-topic 4.1.2.4 · 4 questions · 28 marks · lowest tariff first



2

Section AAnswer **all** questions in this section.Do not write
outside the
boxOnly **one** answer per question is allowed.

For each question completely fill in the circle alongside the appropriate answer.

CORRECT METHOD



WRONG METHODS



If you want to change your answer you must cross out your original answer as shown.



If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown.

**0 1**

A positive statement

[1 mark]**A** does not take into account irrational behaviour.☐**B** enables accurate forecasts to be made.☐**C** includes a value judgement.☐**D** may be true or false.☐**0 2**

Which one of the following is a nudge technique that could be used to encourage healthy eating?

[1 mark]**A** Banning supermarkets from selling high-calorie energy drinks☐**B** Increasing taxes on high-fat products to raise their price☐**C** Moving products with a high sugar content away from supermarket checkouts☐**D** Subsidising fruit and vegetables to reduce their prices☐

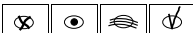
0 2

IB/M/Jun22/7136/3

2

Section AAnswer **all** questions in this section.Do not write
outside the
boxOnly **one** answer per question is allowed.

For each question completely fill in the circle alongside the appropriate answer.

CORRECT METHOD WRONG METHODS If you want to change your answer you must cross out your original answer as shown. If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown. **0 1** Which one of the following best describes mandated choice?**[1 mark]**

- A** A limited range of options is provided 
- B** Individuals are required by law to choose an option 
- C** Options are framed to influence the outcome of decisions 
- D** The option is selected automatically if an alternative is not chosen 



IB/M/Jun25/7136/3

10

Do not write
outside the
box

1 3

A feature of the UK government's workplace pension scheme is that employers are required to enrol their employees in the scheme unless the employees make a conscious decision to opt out and join another scheme.

An individual choosing to remain in their workplace pension scheme is an example of a person

A accepting the default choice.

☐

B acting irrationally by ignoring an economic incentive.

☐

C being anchored by a previous financial decision.

☐

D using a rule of thumb to make the choice.

☐

[1 mark]

1 4

The Bank of England's Monetary Policy Committee increases Bank Rate to reduce the risk of an increase in inflationary pressure in the economy. All other things being equal, which one of the following is most likely to result from the policy change?

A Consumption will increase since house prices will rise and increase wealth.

☐

B Investment will increase as the return on investment projects rises.

☐

C Savings will increase as interest rates rise in real terms.

☐

D The exchange rate will fall as a result of increased capital inflows.

☐

[1 mark]

1 5

An increase in the national minimum wage may be used to make the distribution of income more equal. Such a policy is most likely to be effective when the elasticity of demand for labour in low-paid work is

A elastic.

☐

B inelastic.

☐

C perfectly elastic.

☐

D unitary elastic.

☐

[1 mark]



1 0

IB/M/Jun21/7136/3

Section B

Answer **one** essay from this section.

Each essay carries 40 marks.

EITHER**Essay 1**

In the UK, 64% of the population are considered to be overweight. Many policies have focused on promoting active lifestyles, whilst taxes have been introduced on sugary drinks and alcohol. There has also been regulation of advertising aimed at young children. Attention has recently turned to the use of behavioural economics techniques to change diets.

0	9
---	---

Explain why imperfect and asymmetric information may lead to market failure in the market for food.

[15 marks]

1	0
---	---

Evaluate the view that the consumption of unhealthy foods can best be reduced through the use of nudges and other techniques from behavioural economics.

[25 marks]

OR**Essay 2**

In 2018, the Competition and Markets Authority issued a report which criticised a 'situation where businesses charge higher prices to existing customers who stay with them, than they do to new customers'. However, according to Citizens Advice, some broadband and mobile phone companies continue to charge existing customers more than they charge new customers.

1	1
---	---

Explain the likely impact on consumer surplus and producer surplus as an industry moves away from a competitive market structure to one that is dominated by a few large firms.

[15 marks]

1	2
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Evaluate the view that price discrimination is damaging for consumers.

[25 marks]

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MARK SCHEMES

official mark schemes



MARK SCHEME – A-LEVEL ECONOMICS – 7136/3 – JUNE 2023

SECTION A

KEY LIST

1	D (favourable weather leading to a record harvest.)	11	A (A)	21	B (Emergency aid provided to another country following a natural disaster)
2	C (the environment has an opportunity cost.)	12	D (V and Q)	22	B (Country X has a comparative advantage in the production of coffee and an absolute advantage in the production of tea)
3	D (+12.5)	13	B (5th worker is employed.)	23	A (strengthened against the pound sterling and strengthened against the euro.)
4	C (the rate of inflation.)	14	D (zero)	24	D (industry regulators grow too close to the firms they are regulating.)
5	A (A)	15	C (The adoption of satisficing behaviour)	25	C (An increase in the minimum qualifications required for workers in the industry and a fall in the price of a complement for the output produced)
6	B (Bringing down the rate of inflation)	16	B (Economic agents have higher inflation expectations due to the intervention)	26	A (The proportion of employers' total costs which are made up by wages)
7	B (Availability bias and social norms)	17	C (Evaluating the government's performance against its own fiscal targets)	27	C (more equal and the Gini coefficient has decreased.)
8	B (Some firms will leave the market and the price will rise)	18	A (Increase its purchases of government securities)	28	B (An improvement in the balance of payments on current account)
9	B (Creative destruction)	19	D (The supply curve for potatoes shifts due to the incentive function of prices)	29	B (Banks may engage in more risky lending if they believe the central bank will support them in a crisis)
10	B (0.6)	20	C (4 units)	30	A ((\$50bn)

MARK SCHEME – A-LEVEL ECONOMICS – 7136/1 – JUNE 2019

Section B

Essay 1

Total for this essay: 40 marks

0	9
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 Explain how rules of thumb and irrationality can affect consumers' demand for goods and services.

[15 marks]

Areas for discussion include:

- explanation of the traditional assumption that economic agents are rational utility maximisers
- explanation of the behavioural assumption that for a number of reasons consumers act irrationally
- explanation of 'rules of thumb' which economic agents use to make decisions in practice
- why people use rules of thumb rather than attempting to consider all costs and benefits at every decision
- computational problems
- examples of how firms can exploit such rules of thumb in their marketing
- explanation of biases to which consumers may be vulnerable e.g. availability bias, anchoring
- bounded rationality and bounded self-control
- emotional factors; social norms

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.

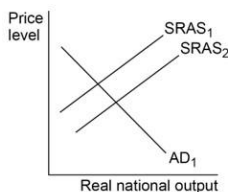
Use the level mark scheme on page 15 to award students marks for this question.

MAXIMUM FOR QUESTION 09: 15 MARKS

MARK SCHEME – A-LEVEL ECONOMICS – 7136/3 – JUNE 2022

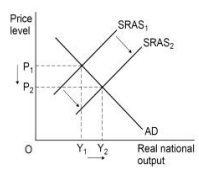
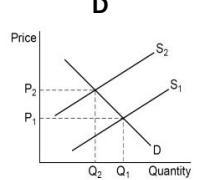
SECTION A

KEY LIST

1	D (may be true or false)	11	B (Most banks carry out both commercial and investment banking activities.)	21	D (Total utility is maximised.)
2	C (Moving products with a high sugar content away from supermarket checkouts)	12	C (A natural disaster, damaging productive capacity)	22	C (Increasing, Increasing, Increasing)
3	A (greater at X than Y)	13	A (Helping countries settle disputes over tariffs and quotas)	23	C (£264 billion)
4	C (3.3%)	14	D (There is considerable spare capacity in the car industry.)	24	A (make supernormal profits)
5	C (price levels)	15	B 	25	B $\left(\frac{1}{40}\right)$
6	C (Rates of income tax)	16	C (The income of some households is significantly less than the median household income.)	26	B (£100 bn)
7	B (Producers will be more likely to have to pay compensation for pollution.)	17	D (regressive tax)	27	B (The cost of living for people who live in UK seaside towns will fall.)
8	C (The firm's total revenue falls.)	18	A (Government retraining schemes for structurally unemployed workers)	28	A (The total amount paid in wages will fall from $(W_2 \times Q_2)$ to $(W_3 \times Q_1)$.)
9	C (price discrimination)	19	C (5 + 6)	29	C (Increasing life expectancy at birth)
10	A (5%)	20	A (Average revenue and marginal revenue will both fall.)	30	C (geographical immobility of labour)

MARK SCHEME – A-LEVEL ECONOMICS – 7136/3 – JUNE 2025

SECTION A KEY LIST

1	B (Individuals are required by law to choose an option)	11	D (Point D)	21	B (5.3%)
2	C (ST)	12	C (Ireland's gross national income per capita was higher than Finland's.)	22	A (Situation A)
3	B (Create a hypothesis and test whether it can predict the behaviour of economic agents)	13	B (is more price inelastic when price increases from £8 to £10 than when it increases from £10 to £15.)	23	D (The rate of increase in the price of necessities, such as energy, is higher than for all goods and services)
4	D 	14	D (Some potential tenants who would like to rent a house at R_1 cannot find a house to rent)	24	A (Country X has both an absolute advantage and a comparative advantage in producing canoes)
5	A (A fall in the number of Jobcentres provided by the government)	15	D (Profit maximisation is not the most important objective for all managers)	25	D (US\$5200 million)
6	B (A reduction in the tax on a good with positive consumption externalities)	16	B (the quarterly inflation rate fluctuated whilst the unemployment rate increased throughout the year.)	26	D (Tax breaks for manufacturing firms that invest in upgrading their machinery and other capital goods)
7	D (Increasing returns to scale)	17	C (Savings deposited with commercial banks that have more than a year to maturity)	27	D (High concentration ratios and consumer complaints are examples of indicators which may suggest anti-competitive behaviour and prompt further investigation by the Competition and Markets Authority.)
8	C (£75 000)	18	D (Bank Y is more profitable than Bank Z but is less secure.)	28	C (Over time, more firms will have an incentive to reduce their pollution)
9	D 	19	B (B)	29	A (The amounts outstanding on households' existing mortgages will fall in real terms)
10	D (The level of investment depends on the rate of change in national income)	20	C (Falls for peak-time passengers and rises for off-peak passengers)	30	C (£26 500)

MARK SCHEME – A-LEVEL ECONOMICS – 7136/3 – JUNE 2021

SECTION A

KEY LIST

1	B (the higher marginal revenue productivity of graduates.)	11	D (not buy the motorbike because they do not know as much about the motorbike as the dealer.)	21	C (firm is maximising its abnormal profit and has no incentive to expand its production.)
2	A (can have microeconomic as well as macroeconomic effects on the economy.)	12	A (A decline in the capital stock resulting from a significant decline in bank funding for business investment)	22	D (the marginal propensity to consume combined with a fall in the exchange rate.)
3	B (negative externalities in production and positive externalities in consumption.)	13	A (accepting the default choice.)	23	B (A reduction in firms' unit costs of production.)
4	D (The government's budget deficit increases as the rate of unemployment is reduced)	14	C (Savings will increase as interest rates rise in real terms)	24	D (The removal of a subsidy to tea producers and a fall in the price of coffee)
5	D (Country 4 has the highest life expectancy and literacy rates)	15	B (inelastic.)	25	B (a negative output gap equal to £6 billion.)
6	D ($H_1 - H_2$)	16	B (increase its average revenue by 20%.)	26	D (short-term finance is provided for companies and governments.)
7	D (most likely to be a commercial bank because its main liabilities are customer deposits.)	17	C (3.8%)	27	A (job security for qualified workers in the industry.)
8	D (public goods.)	18	B (20/400)	28	C (£525 billion)
9	C (OPHJ)	19	A (level of investment.)	29	D (tariffs to raise the price of imports.)
10	D (projected tax revenue by more than £100 billion)	20	A (A decrease in the cost of producing the good) OR C An increase in the price of the good	30	B (A fall in the prices of raw materials and an increase in investment.)

MARK SCHEME – A-LEVEL ECONOMICS – 7136/1 – JUNE 2024

1 0

Evaluate the view that the consumption of unhealthy foods can best be reduced through the use of nudges and other techniques from behavioural economics.

[25 marks]**Areas for discussion include:**

- explanation of nudges and other techniques from behavioural economics, such as choice architecture, framing
- why the consumption of unhealthy foods can lead to market failure
- analyse why unhealthy foods are demerit goods and negatively impact consumers by affecting health outcomes and quality of life
- explanation of how unhealthy foods also impose negative externalities on third parties via healthcare burdens paid by taxpayers
- identification of why consumers may struggle to make optimal/utility-maximising choices around diet, eg imperfect information, bounded rationality, bounded self-control, biases in decision making, social and cultural norms, advertising and marketing, relative price of unhealthy versus healthy choices
- analysis and evaluation of techniques from behavioural economics to influence the consumption of food, for example:
 - nudges
 - default choice
 - restricted choice
 - mandated choice
 - choice architecture and framing
- discussion of the effectiveness of behavioural techniques
- analysis and evaluation of traditional policies as an alternative, for example:
 - subsidies for healthy food
 - free healthy school meals
 - taxation of unhealthy food
 - regulation of ingredients
 - education
 - advertising
- use of examples
- market failure arguments
- government failure arguments
- an overall assessment of whether the consumption of unhealthy foods can best be reduced through the use of nudges and other techniques from behavioural economics.

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 level mark scheme on page 4 to award students marks for this question.

MAXIMUM FOR QUESTION 10: 25 MARKS