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AQA A-LEVEL ECONOMICS: QUESTIONS BY TOPIC

How the Macroeconomy Works

AQA A-level Economics 7136 — Topic 4.2.2

24 questions · 65 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.

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4.2.2.1 THE CIRCULAR FLOW OF INCOME		6 Qs · 16 marks	3
1. Q05	A-level Paper 3, Section A (MCQ) June 2023	1	4
2. Q07	A-level Paper 3, Section A (MCQ) June 2024	1	5
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QUESTIONS

24 questions · 65 marks · 6 sub-topics



SUB-TOPIC 4.2.2.1

THE CIRCULAR FLOW OF INCOME

Sub-topic 4.2.2.1 · 6 questions · 16 marks · lowest tariff first

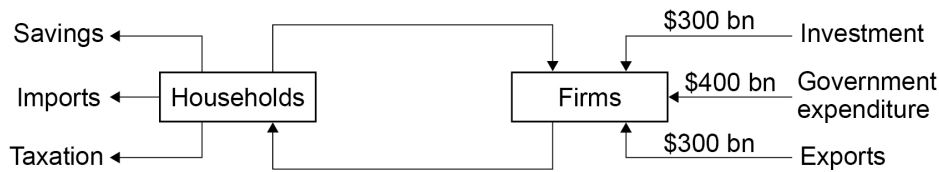


05

Figure 2 shows the injections into and withdrawals from the circular flow of income of an economy which is in macroeconomic equilibrium.

Do not write
outside the
box

Figure 2



In the economy, net exports are $-\$50\text{bn}$. Which one of the combinations, **A**, **B**, **C** or **D**, shows the levels of savings, taxation and imports?

[1 mark]

	Savings (\$bn)	Taxation (\$bn)	Imports (\$bn)	
A	300	350	350	☐
B	350	400	250	☐
C	350	250	350	☐
D	450	300	250	☐

06

A central bank has raised interest rates as part of monetary policy.

Which one of the following policy objectives is this most likely to assist the government in achieving?

[1 mark]

- A A more equitable distribution of income☐
- B Bringing down the rate of inflation☐
- C Increasing the rate of economic growth☐
- D Minimising the rate of unemployment☐



5

0 6

Table 2 shows the UK's balance of trade in goods and services in successive quarters.

Do not write
outside the
box

Table 2

Quarter	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2
Balance of trade (£bn)	−8.5	3.6	0.9	−12.1	−4.7	−25.3	−25.0

What was the UK's median quarterly balance of trade over the period shown in Table 2?
[1 mark]

A −£12.1bn

☐

B −£10.2bn

☐

C −£8.5bn

☐

D £11.4bn

☐

0 7

Which one of the following is an injection into the circular flow of income?

[1 mark]

A Factor incomes

☐

B Government borrowing

☐

C Investment

☐

D Savings

☐

Turn over for the next question

Turn over ►



0 5

IB/G/Jun24/7136/3

4

0 5

In an economy, over the last decade, each of the top five decile groups has experienced a fall in their share of total income. In contrast, the bottom five decile groups have experienced a substantial increase in their share of total income.

It can be concluded that, over this period, the distribution of income is most likely to have become

A more equal.

☐

B more equal but less equitable.

☐

C more equitable.

☐

D more equitable but less equal.

☐

[1 mark]

0 6

In an economy, the marginal propensity to consume is 0.6. All other things being equal, which one of the following statements is correct?

A A £5 billion reduction in the economy's national income will result in a £3 billion fall in consumption

☐

B If injections into the circular flow of income equal £20 billion, national income will equal £32 billion

☐

C If injections into the circular flow of income rise by £10 billion, national income will rise by £6 billion

☐

D When the economy's national income equals £100 billion, consumption will equal £60 billion

☐

[1 mark]

0 7

Which one of the following combinations, A, B, C or D, shows the essential characteristics of a customs union?

	Internal trade barriers	Common external tariffs	Common currency	
A	Yes	No	Yes	☐
B	No	Yes	No	☐
C	Yes	Yes	No	☐
D	No	No	Yes	☐

[1 mark]



0 4

IB/M/Jun20/7136/3

4

Do **not** answer Context 2 if you have answered Context 1.

OR

Context 2

Total for this context: 40 marks

Monetary policy and stability

Study **Extracts D, E and F** and then answer **all** parts of Context 2 which follow.

Extract D

Figure 3: UK household gross debt to income, 2006 to 2020

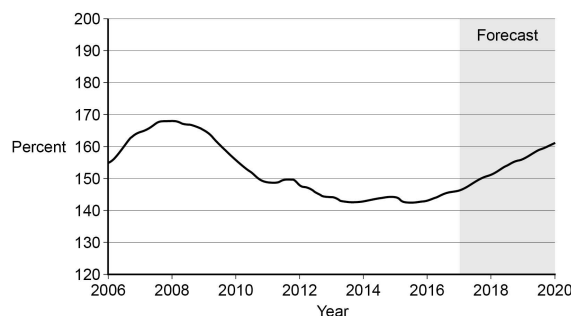


Figure 4: Household saving ratio, 2006 to 2016

Year	Saving ratio (%)
2006	7.6
2008	7.5
2010	11.2
2012	9.3
2014	8.4
2016	7.1

Source: ONS

Extract E: Financial regulation and monetary policy

In response to the lessons learned from the global financial crisis of 2007/08, the government of the UK has introduced major reforms to financial markets. The government recognised that systemic risk, moral hazard and imperfect information had all contributed to the credit crunch and subsequent recession in the UK. As a result, changes have been made to try to avoid a recurrence of failing banks and expensive state-backed bailouts. 5

The Prudential Regulation Authority (PRA) was established to ensure the stability of firms offering financial services and the Financial Conduct Authority (FCA) was set up to regulate the industry. Also, the Bank of England is responsible for supervising the whole financial system through the Financial Policy Committee (FPC). The FPC identifies and attempts to reduce risks in the system. The new framework is seen as the biggest change for the Bank of England since it was given operational independence for the conduct of monetary policy in 1997. 10

Since 2013, the Treasury has required the Bank of England to place more emphasis on helping the government to achieve its objectives for growth and employment, in addition to its central objective of maintaining price stability. However, some argue that trying to maintain stable prices and low unemployment could create trade-offs. 15

The Monetary Policy Committee's decision to lower Bank Rate to 0.5% in 2009, and the subsequent decision to lower it to 0.25% in 2016, have been instrumental in the UK's sustained recovery and return to low levels of unemployment. The Bank of England has also used quantitative easing (QE) to boost consumption and investment. Maintaining low interest rates is considered by many to be vital for both consumer and business confidence. 20

Source: News reports, 2016

IB/G/Jun18/7136/2

5

Extract F: A new financial crisis?

Has increased regulation worked or could the UK be on the verge of another financial crisis? The Bank of England is keeping a close watch on consumer spending amid signs that households are reducing their savings and building up debts. The Governor of the Bank, Mark Carney, said that consumption has been high in recent times, helping the economy, but he repeated the warning that living costs were likely to rise on the back of a weak pound and put a strain on households' real incomes. He also stated: "The saving ratio has fallen towards its pre-crisis lows, and consumer borrowing has accelerated noticeably." 5

It can be argued that rising borrowing has been caused by Bank Rate being kept too low for too long. The Austrian economist, Friedrich Hayek, highlighted artificially low interest rates and excessive credit creation as being the main causes of cyclical instability, damaging both investment and confidence. Asset price bubbles occur, including unsustainable rises in house prices, and eventually boom turns to bust. A major cause of the financial crisis in 2007/08 was arguably the unsustainably high level of debt that had been accumulated, but total world debt is now far in excess of the 2008 level. 10 15

Some form of financial crisis appears to occur every 7 to 10 years. As inflation rises, there will come a time when the Monetary Policy Committee decides to increase Bank Rate. This will affect many people who have become accustomed to cheap credit and who are tied into mortgages where the monthly repayments vary with interest rates. 20

Source: News reports, 2016

0 5 Using the data in **Extract D (Figure 4)**, calculate the average amount saved per household in 2016 if average household income was £26 300. Give your answer to the nearest pound. [2 marks]

0 6 Explain how the data in **Extract D (Figures 3 and 4)** show that consumer confidence may have risen since 2014. [4 marks]

0 7 **Extract E** (lines 16–17) states 'However, some argue that trying to maintain stable prices and low unemployment could create trade-offs.' [9 marks]

With the help of a diagram, explain why a trade-off between price stability and low unemployment might occur.

0 8 **Extract F** (lines 10–12) states 'The Austrian economist, Friedrich Hayek, highlighted artificially low interest rates and excessive credit creation as being the main causes of cyclical instability.' [25 marks]

Using the data in the extracts and your knowledge of economics, evaluate the view that maintaining low interest rates for a sustained period of time may be damaging to the UK's macroeconomic stability.

Turn over ►

IB/G/Jun18/7136/2

4

Do **not** answer Context 2 if you have answered Context 1.

OR

Context 2

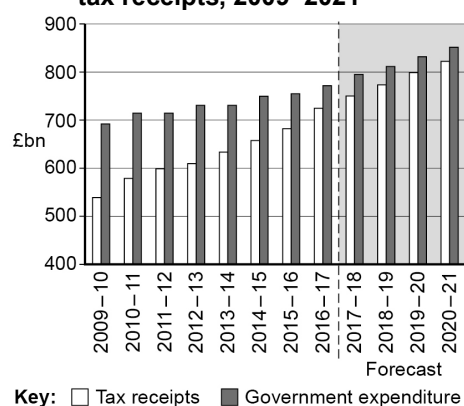
Total for this context: 40 marks

UK fiscal policy and taxation

Study **Extracts D, E and F** and then answer **all** parts of Context 2 which follow.

Extract D

Figure 2: UK Government expenditure and tax receipts, 2009–2021



Source: OBR

Figure 3: Marginal income tax rates in Scotland and the rest of the UK, April 2018

Scotland		Rest of the UK	
Tax Band £	Tax Rate	Tax Band £	Tax Rate
0 – 11 850	0%	0 – 11 850	0%
11 851 – 13 850	19%	11 851 – 46 350	20%
13 851 – 24 000	20%		
24 001 – 43 430	21%		
43 431 – 150 000	41%	46 351 – 150 000	40%
150 001+	46%	150 001+	45%

Source: gov.uk

Extract E: Deficit reduction

In 2017, the Chancellor of the Exchequer claimed that the government was on course to create a budget surplus by 2025. However, the Office for Budget Responsibility (OBR) has suggested that the budget deficit will not be wiped out until 2031. This is 16 years later than originally forecast.

1

The Government borrowed £52bn in 2016–17, a fall of £20bn compared to the year before, as the long struggle to eliminate the deficit moved closer towards its goal. However, the OBR has forecast a 'weaker' economy than it did just nine months ago; it expects economic growth to slow and government borrowing to rise as a result. The OBR also delivered the biggest downgrade to productivity growth in its history, with output per hour expected to be 4.6% lower in 2022 than originally forecast.

5

The financial crisis of 2007–08 led to a budget deficit of almost 11% of GDP in 2009–10; the deficit has now fallen to 2.6% of GDP, the lowest level of borrowing since 2007–08. If growth could be increased, the budget deficit would fall much faster.

10

Why is deficit reduction so important in the first place? Firstly, there are the negative effects of larger interest repayments caused by a higher national debt. There is also the argument that public spending crowds out the private sector. Some economists point to the effects on future generations and the possibility that the government's credit rating may fall if borrowing is high.

15

Source: News reports, 2017

5

Extract F: Scottish income tax

In most of the UK, reducing the budget deficit has focused on austerity rather than tax rises. 1
However, the Scottish Government has announced that from April 2018, Scotland will have different rates of income tax to the rest of the UK, with changes that will see higher earners pay more and lower earners pay less. There will be a new tax band of 21% for those earning more than £24 000. The higher rate of tax will be increased from 40% to 41% and the top rate from 45% to 46%. A starter rate of 19% will also be introduced. The move to a 'five-band' income tax system should mean that nobody earning less than £33 000 in Scotland will pay more tax than they do now. 5

Estimates show that 55% of Scottish taxpayers will pay less compared to the rest of the UK under the new system, with higher earners paying more. Someone in Scotland earning £150 000 will pay £1774 more than if they lived elsewhere in the UK, with someone earning £40 000 paying £140 more. The extra revenue raised will be used to give public sector workers a 3% pay rise for those earning less than £30 000, and a 2% rise for those earning more than that, and will help towards the cost of providing superfast broadband to all premises in Scotland by 2021. 10 15

Some business leaders have warned that Scotland cannot afford to be associated with higher taxation than the rest of the UK. The Finance Minister for Scotland, Derek Mackay, claimed the changes could raise an additional £164 million and were necessary to "mitigate UK budget cuts, protect our NHS and other public services, support our economy and tackle inequality in our society". He said the tax reforms would make "Scotland's income tax system even fairer and more progressive". He resisted a bigger increase in the top rate of tax for those earning more than £150 000, aware that high earners may find ways to avoid paying it. 20

Source: News reports, 2017

0 5 Using the data in **Extract D** (Figure 3), calculate, to the **nearest pound**, the amount of income tax payable for someone in Scotland earning £13 500. [2 marks]

0 6 Explain how the data in **Extract D** (Figure 2) show that the UK's public finances have been improving since 2010. [4 marks]

0 7 **Extract E** (lines 11–12) states 'If growth could be increased, the budget deficit would fall much faster.'
With the help of a diagram, explain why a higher rate of economic growth is likely to reduce the budget deficit. [9 marks]

0 8 **Extract F** (line 1) states 'In most of the UK, reducing the budget deficit has focused on austerity rather than tax rises.'
Using the data in the extracts and your knowledge of economics, evaluate the view that there is a strong case for significant increases in UK income tax rates. [25 marks]

Turn over ►

2

Section AAnswer **EITHER** Context 1 **OR** Context 2.**EITHER****Context 1****Total for this context: 40 marks****GDP and living standards**Study **Extracts A, B and C** and then answer **all** parts of Context 1 which follow.**Extract A****Figure 1: Selected data for Costa Rica, UK and USA, 2015/2016 unless stated**

	Costa Rica	UK	USA
GDP (PPP \$bn)	69.6	2 518.1	16 890.2
Population (millions)	4.9	64.7	321.8
Mean years of schooling	8.7	13.3	13.2
Infant mortality rate (under 5s per 1000 births)	9.7	4.2	6.5
Average annual increase (%) of the HDI (1990–2015)	0.7	0.6	0.3
Gini coefficient (average 2010–2015)	0.49	0.33	0.41
CO ₂ emissions (tonnes per capita)	1.6	6.2	16.1

Footnote: PPP = Purchasing Power Parity
HDI = Human Development Index

Source: United Nations and World Bank

Extract B: What is GDP?

Imagine £50 notes stacked on top of each other, stretching almost 4500 kilometres into the sky. This fantastically large amount of money (more than £2 trillion) is the current estimated value of the UK's Gross Domestic Product (GDP). 1

GDP is the standard measure of the size and health of a country's economy but it is important to distinguish between nominal and real GDP. It's the way we measure and compare how well or badly countries are doing. In other words, it is the total value of the output of goods and services produced in an economy over a period of time. The higher the value of GDP, the bigger the economy. If injections into an economy's circular flow of income increase, then this may generate multiple increases in GDP, depending upon the size of the marginal propensity to consume. 5 10

Why is the measurement of GDP important? Well, it's a way of keeping track of how the economy is doing, and whether it is growing. We can also use it to measure one economy against other economies using purchasing power parity exchange rates. If real GDP goes up, the economy is doing well; this is associated with higher incomes, more jobs and higher spending. If real GDP goes down, the economy is not doing so well; this is associated with falling incomes, lower consumption and a lower standard of living. 15

Source: News reports, 2017

Extract C: A happy planet?

We are facing tough times. The crises that dominate the media today are set against a background of an increasingly unstable global economy, rising inequalities and the ever-present challenges of climate change. GDP growth on its own does not mean a better life for everyone, particularly in countries that are already wealthy. This growth of GDP may not reflect inequalities in material conditions between people in a country and does not value the things that really matter to people, such as social relations, health, or how they spend their free time.

The Happy Planet Index is one of the alternative ways of measuring what really matters: sustainable wellbeing for all. This year, Costa Rica has topped the Happy Planet Index for the third time, achieving relatively high life expectancy and wellbeing with a small ecological footprint. Costa Ricans generally have higher wellbeing than the residents of many rich nations and live longer than people in the USA (who are ranked 108th in the index). This is achieved with an impact on the environment which is much smaller than that of the USA or UK (ranked 34th).

Costa Rica is a world leader when it comes to environmental protection, with 99% of its electricity coming from renewable sources, and a commitment to becoming carbon neutral by 2021. They also abolished the army in 1949 and reallocated the defence budget to funding education, health and pensions, further enriching the lives of its citizens. Other measures of living standards, such as the HDI, do not rank Costa Rica quite so highly (66th compared to the USA in 10th position). This is because the HDI does not place as much emphasis on the environment compared to the Happy Planet Index.

Increasingly economic growth is incompatible with the planetary limits we are up against. Rising GDP may be a sign that we are using more of the earth's scarce resources. Some believe the Happy Planet Index gives a clearer picture of broader living standards and their sustainability.

Source: News reports, 2017

0 1 Using the data in **Extract A**, calculate the GDP per capita for Costa Rica in 2015/2016 to the nearest dollar.

[2 marks]

0 2 Explain how the data in **Extract A** indicate living standards may be higher in the UK than in the USA.

[4 marks]

0 3 **Extract B** (lines 8–9) states 'If injections into an economy's circular flow of income increase, then this may generate multiple increases in GDP.'

With the help of a diagram, explain how an increase in injections may generate multiple increases in an economy's GDP.

[9 marks]

0 4 **Extract B** (lines 13–15) states 'If real GDP goes up, the economy is doing well; this is associated with higher incomes, more jobs and higher spending.'

Using the data in the extracts and your knowledge of economics, assess the view that to improve the living standards of their citizens, governments across the world should prioritise achieving economic growth.

[25 marks]

Turn over ►

Handwriting practice area with horizontal dotted lines.

SUB-TOPIC 4.2.2.2

AGGREGATE DEMAND AND AGGREGATE SUPPLY ANALYSIS

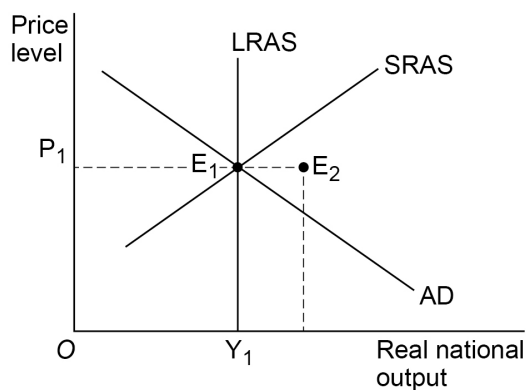
Sub-topic 4.2.2.2 · 1 question · 1 marks · lowest tariff first



7

1 0

The diagram below shows the aggregate demand (AD) curve, the short-run aggregate supply (SRAS) curve and the long-run aggregate supply (LRAS) curve for an economy. The economy's initial equilibrium is at E_1 .



The government wants to achieve economic growth without conflicting with its long-run objective of price stability. All other things being equal, which one of the following policy combinations is most likely to enable the economy to achieve a new long-run equilibrium at E_2 ?

- A A reduction in interest rates and increased government borrowing. ☐
- B A reduction in the budget deficit and the rate of growth of the money supply. ☐
- C Increased government expenditure on apprenticeships and transport infrastructure funded through borrowing. ☐
- D Increased government expenditure on welfare funded through higher indirect taxes. ☐

[1 mark]

Turn over for the next question

Turn over ►



IB/M/Jun19/7136/3

SUB-TOPIC 4.2.2.3

THE DETERMINANTS OF AGGREGATE DEMAND

Sub-topic 4.2.2.3 · 4 questions · 7 marks · lowest tariff first



9

1 | 3

An economy is in a state of macroeconomic equilibrium. The levels of investment, savings, exports and imports are shown below.

*Do not write
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box*

Injections into and withdrawals from the circular flow of income	
Investment	£200 bn
Savings	£200 bn
Exports	£300 bn
Imports	£400 bn

It can be inferred from the data in the table above that

- A** government expenditure equals taxation. ☐
- B** the budget surplus equals the balance of payments deficit. ☐
- C** the government has a budget deficit. ☐
- D** the government has a budget surplus. ☐

[1 mark]**1 | 4**

The table below shows how a firm's total and average product change, in the short run, with different inputs of labour.

Number of workers	Total product	Average product
4	128	32
5	260	52
6	420	70
7	497	71
8	528	66

Diminishing marginal returns to labour set in when the firm employs

- A** 5 workers ☐
- B** 6 workers ☐
- C** 7 workers ☐
- D** 8 workers ☐

[1 mark]

0 9

Turn over ►

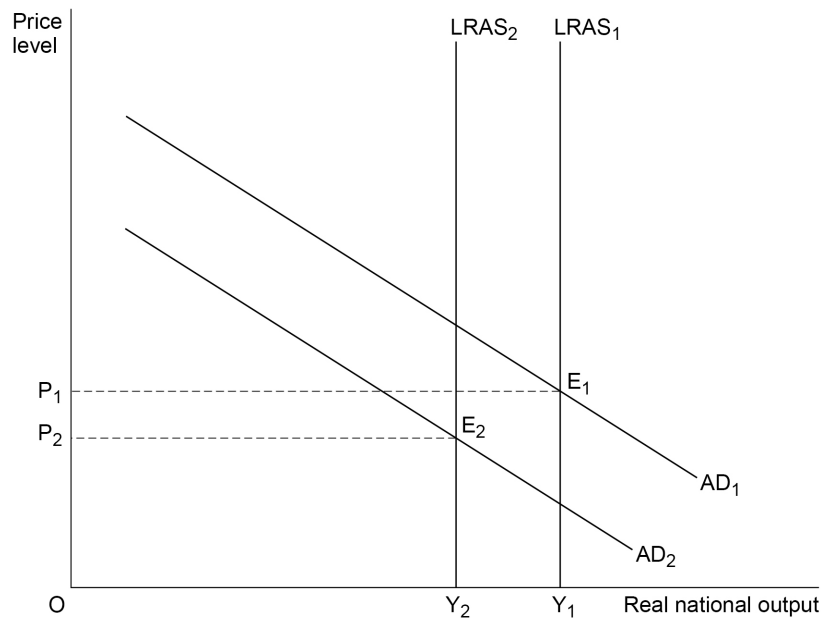
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9

1 2

Figure 4 shows two aggregate demand (AD_1 and AD_2) curves and two long-run aggregate supply ($LRAS_1$ and $LRAS_2$) curves for an economy.

Do not write
outside the
box

Figure 4

All other things being equal, which one of the following is the most likely explanation for the movement of the economy from E_1 to E_2 ?

- A** A decline in the capital stock resulting from a significant decline in bank funding for business investment ☐
- B** An increase in net foreign investment by firms following a reduction in the rate of inflation ☐
- C** An unexpected reduction in the rate of interest following a fall in the rate of inflation ☐
- D** The growth of government borrowing to fund increased expenditure on infrastructure ☐

[1 mark]

Turn over for the next question

Turn over ►



0 9

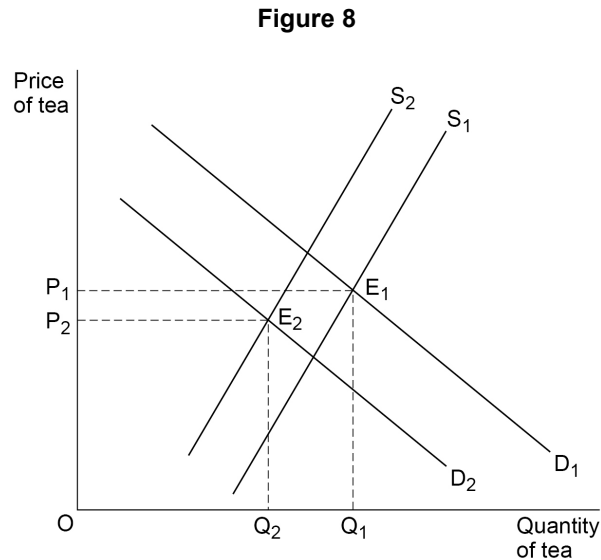
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17

2 4

Figure 8 shows two demand (D_1 and D_2) curves and two supply (S_1 and S_2) curves in the market for tea.

Do not write
outside the
box



Tea and coffee are substitutes. All other things being equal, which one of the following is the most likely explanation of the move from E_1 to E_2 in the market for tea?

- A** A fall in the price of tea and a rise in productivity in coffee production ☐
- B** A rise in the price of coffee and an increase in the cost of producing tea ☐
- C** An increase in competition in the market for tea and a fall in the price of coffee ☐
- D** The removal of a subsidy to tea producers and a fall in the price of coffee ☐

[1 mark]

2 5

In 2019, an economy operating at full capacity on its long-run aggregate supply curve grew at its trend growth rate of 5% per annum. It had a national income of £200 billion. In 2020, the economy experienced 2% actual growth.

It follows that in 2020 there was

- A** a negative output gap equal to £4 billion. ☐
- B** a negative output gap equal to £6 billion. ☐
- C** a positive output gap equal to £4 billion. ☐
- D** a positive output gap equal to £6 billion. ☐

[1 mark]

Turn over ►



1 7

IB/M/Jun21/7136/3

4

Do **not** answer Context 2 if you have answered Context 1.

OR

Context 2

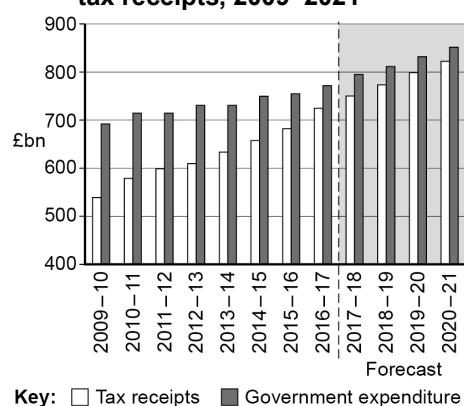
Total for this context: 40 marks

UK fiscal policy and taxation

Study **Extracts D, E and F** and then answer **all** parts of Context 2 which follow.

Extract D

Figure 2: UK Government expenditure and tax receipts, 2009–2021



Source: OBR

Figure 3: Marginal income tax rates in Scotland and the rest of the UK, April 2018

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150 001+	46%	150 001+	45%

Source: gov.uk

Extract E: Deficit reduction

In 2017, the Chancellor of the Exchequer claimed that the government was on course to create a budget surplus by 2025. However, the Office for Budget Responsibility (OBR) has suggested that the budget deficit will not be wiped out until 2031. This is 16 years later than originally forecast.

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The financial crisis of 2007–08 led to a budget deficit of almost 11% of GDP in 2009–10; the deficit has now fallen to 2.6% of GDP, the lowest level of borrowing since 2007–08. If growth could be increased, the budget deficit would fall much faster.

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Why is deficit reduction so important in the first place? Firstly, there are the negative effects of larger interest repayments caused by a higher national debt. There is also the argument that public spending crowds out the private sector. Some economists point to the effects on future generations and the possibility that the government's credit rating may fall if borrowing is high.

15

Source: News reports, 2017

5

Extract F: Scottish income tax

In most of the UK, reducing the budget deficit has focused on austerity rather than tax rises. 1
 However, the Scottish Government has announced that from April 2018, Scotland will have different rates of income tax to the rest of the UK, with changes that will see higher earners pay more and lower earners pay less. There will be a new tax band of 21% for those earning more than £24 000. The higher rate of tax will be increased from 40% to 41% and the top rate from 45% to 46%. A starter rate of 19% will also be introduced. The move to a 'five-band' income tax system should mean that nobody earning less than £33 000 in Scotland will pay more tax than they do now. 5

Estimates show that 55% of Scottish taxpayers will pay less compared to the rest of the UK under the new system, with higher earners paying more. Someone in Scotland earning £150 000 will pay £1774 more than if they lived elsewhere in the UK, with someone earning £40 000 paying £140 more. The extra revenue raised will be used to give public sector workers a 3% pay rise for those earning less than £30 000, and a 2% rise for those earning more than that, and will help towards the cost of providing superfast broadband to all premises in Scotland by 2021. 10 15

Some business leaders have warned that Scotland cannot afford to be associated with higher taxation than the rest of the UK. The Finance Minister for Scotland, Derek Mackay, claimed the changes could raise an additional £164 million and were necessary to "mitigate UK budget cuts, protect our NHS and other public services, support our economy and tackle inequality in our society". He said the tax reforms would make "Scotland's income tax system even fairer and more progressive". He resisted a bigger increase in the top rate of tax for those earning more than £150 000, aware that high earners may find ways to avoid paying it. 20

Source: News reports, 2017

0 5

Using the data in **Extract D** (Figure 3), calculate, to the **nearest pound**, the amount of income tax payable for someone in Scotland earning £13 500.

[2 marks]

0 6

Explain how the data in **Extract D** (Figure 2) show that the UK's public finances have been improving since 2010.

[4 marks]

0 7

Extract E (lines 11–12) states 'If growth could be increased, the budget deficit would fall much faster.'

With the help of a diagram, explain why a higher rate of economic growth is likely to reduce the budget deficit.

[9 marks]

0 8

Extract F (line 1) states 'In most of the UK, reducing the budget deficit has focused on austerity rather than tax rises.'

Using the data in the extracts and your knowledge of economics, evaluate the view that there is a strong case for significant increases in UK income tax rates.

[25 marks]

Turn over ►

SUB-TOPIC 4.2.2.4

AGGREGATE DEMAND AND THE LEVEL OF ECONOMIC ACTIVITY

Sub-topic 4.2.2.4 · 2 questions · 16 marks · lowest tariff first



14

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box***1 | 9**

According to the accelerator process, a slowdown in the rate of growth of national income will lead to a fall in the

A level of investment.

☐

B marginal propensity to save.

☐

C rate of interest.

☐

D value of the multiplier.

☐**[1 mark]****2 | 0**

A monopolistically competitive firm's demand curve for good X has a price elasticity of demand of minus 1.0 throughout its entire range. All other things being equal, which one of the following is most likely to result in an increase in the firm's profits?

A A decrease in the cost of producing the good

☐

B A decrease in the price of the good

☐

C An increase in the price of the good

☐

D An increase in the scale of its operation

☐**[1 mark]**

1 4

IB/M/Jun21/7136/3

7

OR

Essay 3

In November 2022, the UK government announced large public spending cuts and tax rises in order to reduce the budget deficit. Some economists worry that this may cause a negative multiplier effect and damage economic activity.

1	3
---	---

Explain how the multiplier **and** accelerator affect the overall level of economic activity.

[15 marks]

1	4
---	---

Evaluate the view that increasing taxation is the best way to reduce a budget deficit.

[25 marks]

END OF QUESTIONS

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SUB-TOPIC 4.2.2.5

DETERMINANTS OF SHORT-RUN AGGREGATE SUPPLY

Sub-topic 4.2.2.5 · 5 questions · 19 marks · lowest tariff first

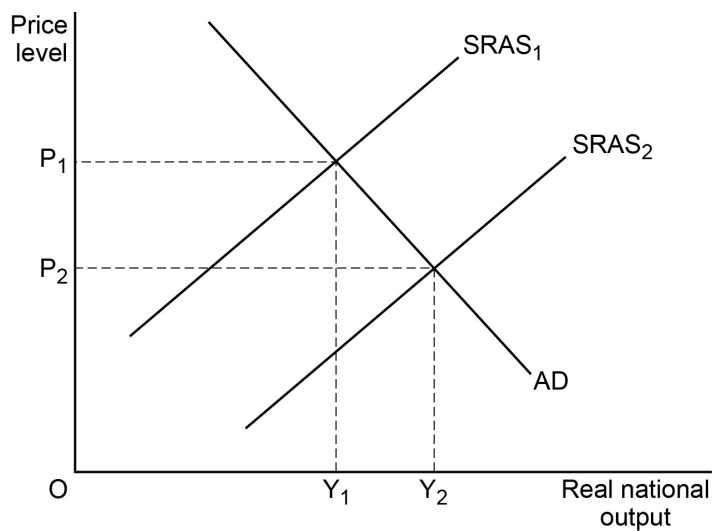


17

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2 8

The diagram below shows the aggregate demand (AD) and two short-run aggregate supply (SRAS) curves for an economy.



All other things being equal, which one of the following is most likely to cause the short-run aggregate supply curve to shift from $SRAS_1$ to $SRAS_2$?

- A A fall in the size of the labour force
- B An increase in imports
- C An increase in the value of the multiplier
- D Lower world commodity prices

☐
☐
☐
☐

[1 mark]

Turn over for the next question



1 7

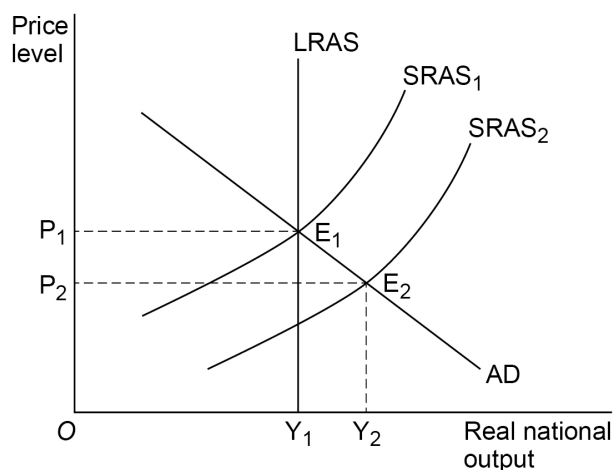
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IB/G/Jun17/7136/3

4

0 4

The diagram below shows the aggregate demand (AD) curve, the long-run aggregate supply (LRAS) curve, and two short-run aggregate supply (SRAS₁ and SRAS₂) curves for an economy. The economy's initial equilibrium is at E₁.



The most likely explanation for the move of the economy from its initial equilibrium at E₁ to a new short-run equilibrium at E₂ is a decrease in the

- A level of tariffs on imports.
- B productivity of capital.
- C rate of wage inflation.
- D value of government subsidies to farmers.

☐
☐
☐
☐

[1 mark]

0 5

Which one of the following policies is most likely to improve the supply side of the economy? A policy which

- A increases the budget surplus.
- B reduces the natural rate of unemployment.
- C shifts resources from capital to labour intensive industries.
- D shifts the burden of tax from indirect to direct taxation.

☐
☐
☐
☐

[1 mark]



0 4

IB/M/Jun19/7136/3

3

0 3

Table 1 contains data for the rates of growth of nominal and real GDP and the rate of inflation for an economy in a given year. Which one of the following combinations, **A**, **B**, **C** or **D**, shows the correct relationship between the three variables?

Table 1

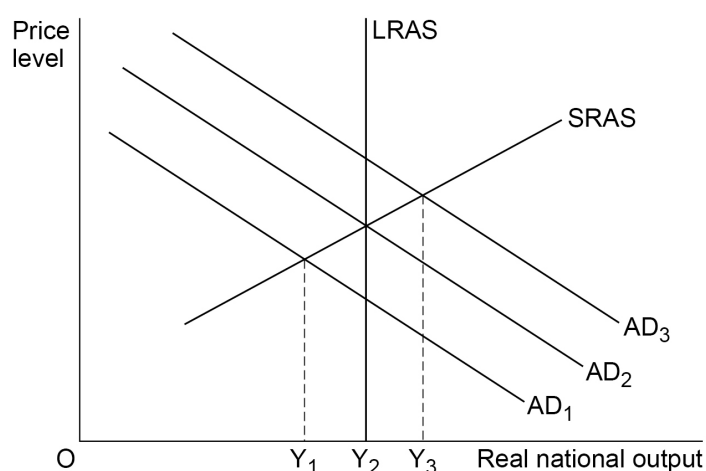
	Nominal GDP growth	Real GDP growth	Inflation	
A	−2%	0%	+2%	☐
B	+4%	+3%	−1%	☐
C	+5%	+5%	+1%	☐
D	−5%	−2%	−3%	☐

[1 mark]

0 4

Figure 1 shows three aggregate demand (AD) curves, a short-run aggregate supply (SRAS) curve and a long-run aggregate supply (LRAS) curve.

Figure 1



In **Figure 1**, when

- A** aggregate demand shifts from AD_1 to AD_2 , cyclical unemployment is likely to be eliminated. ☐
- B** aggregate demand shifts from AD_1 to AD_3 , the rate of economic growth is equal to $(Y_3 - Y_1)$. ☐
- C** the economy is producing at Y_1 , there is a positive output gap. ☐
- D** the economy is producing at Y_2 , there is no unemployment. ☐

[1 mark]

Turn over ►



0 3

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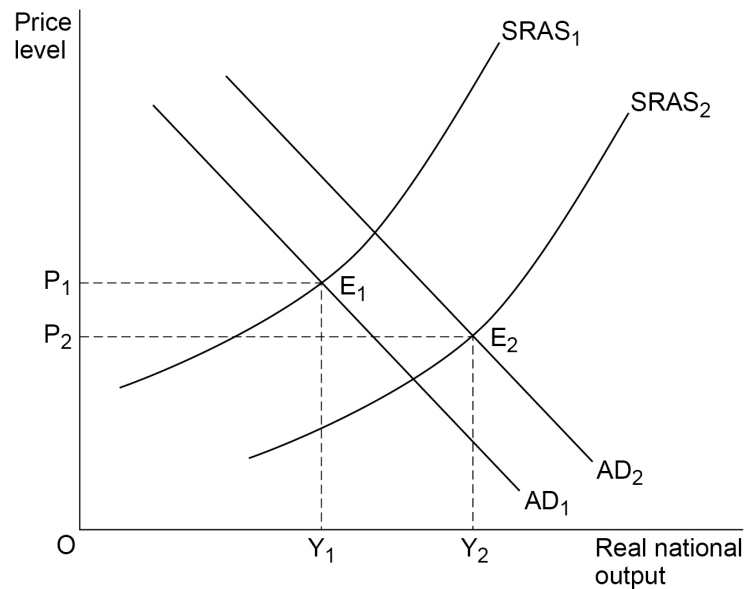
20

3 0

Figure 10 shows two aggregate demand (AD_1 and AD_2) curves and two short-run aggregate supply ($SRAS_1$ and $SRAS_2$) curves for an economy.

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Figure 10



All other things being equal, which one of the following is the most likely explanation for the movement of the economy from E_1 to E_2 ?

- A** A depreciation of the currency and an increase in interest rates
- B** A fall in the prices of raw materials and an increase in investment
- C** An increase in exports and the rate of Value Added Tax
- D** An increase in the supply of money and the level of money wages

☐
☐
☐
☐

30

[1 mark]

Turn over for Section B



2 0

IB/M/Jun21/7136/3

6

Section BAnswer **one** essay from this section.Each essay carries 40 marks.

EITHER**Essay 1**

Over the last two centuries, international trade has grown faster than global GDP, completely transforming the world economy. Today, about one quarter of total global output is exported. Globalisation has generated gains for the UK economy but has also made it vulnerable to external shocks.

0	9
---	---

Explain the main causes of globalisation.

[15 marks]

1	0
---	---

Assess the view that increased globalisation has been beneficial for the UK economy.

[25 marks]**OR****Essay 2**

Throughout 2021 and 2022, the UK suffered from supply-side problems which caused prices to rise. Within an economic cycle, there are often trade-offs between different macroeconomic objectives. However, many economists argue that the government should do more to reduce the likelihood of these trade-offs persisting in the long run.

1	1
---	---

Explain the possible causes of a shift in the short-run aggregate supply curve to the left.

[15 marks]

1	2
---	---

Evaluate how, in the long-run, governments could try to reconcile conflicts between the various objectives of economic policy.

[25 marks]

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SUB-TOPIC 4.2.2.6

DETERMINANTS OF LONG-RUN AGGREGATE SUPPLY

Sub-topic 4.2.2.6 · 6 questions · 6 marks · lowest tariff first



11

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1 7

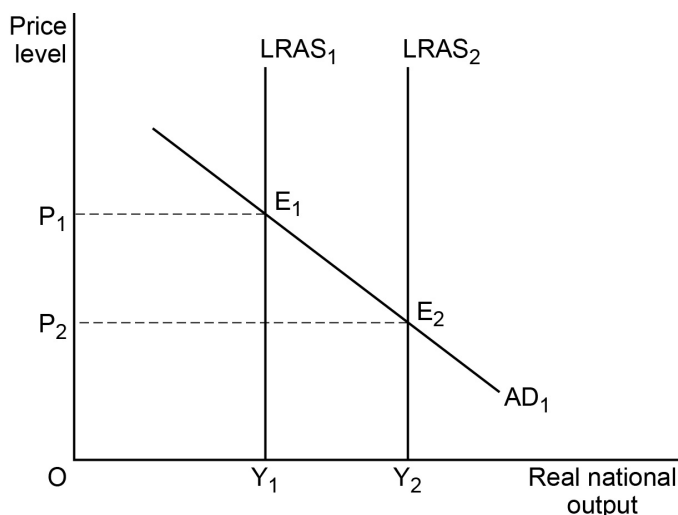
The primary measure of unemployment in the UK is based on the

- A** number of people joining the labour force minus the number of people leaving the labour force. ☐
- B** number of people not working who are of working age. ☐
- C** the number of people actively seeking work and available to start work. ☐
- D** proportion of the population of working age without a job. ☐

[1 mark]

1 8

The diagram below depicts an aggregate demand (AD) curve and two long-run aggregate supply (LRAS) curves for an economy. The economy's initial equilibrium is at E_1 .



All other things being equal, the movement of the economy from its initial equilibrium at E_1 to E_2 is most likely to be caused by an increase in

- A** government borrowing. ☐
- B** labour productivity. ☐
- C** the rate of deflation. ☐
- D** money wage rates. ☐

[1 mark]



1 1

Turn over ►

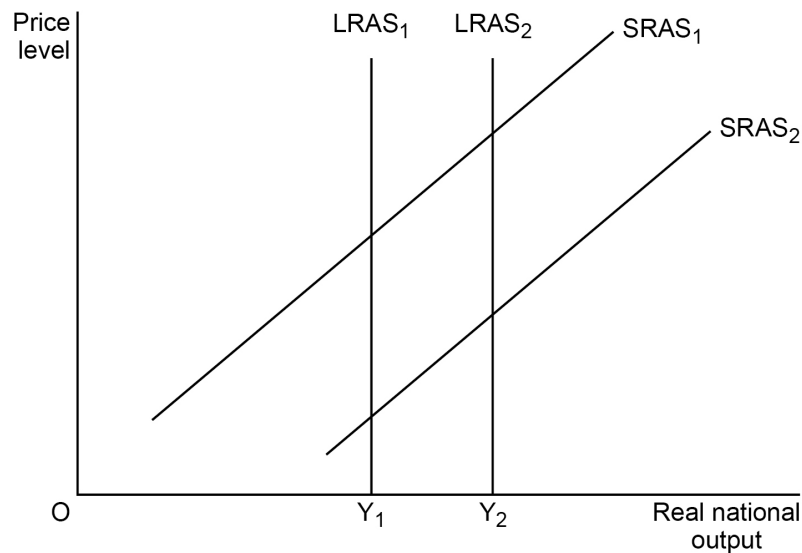
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12

1 8

The diagram below shows two long-run aggregate supply (LRAS) and two short-run aggregate supply (SRAS) curves for an economy.

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box



All other things being equal, which one of the following is most likely to explain the movement to the right of both the short-run and long-run aggregate supply curves?

- A** A large increase in the availability of renewable energy within the economy ☐
- B** An increase in employment and a depreciation of the exchange rate ☐
- C** An increase in the natural rate of unemployment and the level of money wage rates ☐
- D** A supply-side shock to the economy which increases the rate of inflation ☐

[1 mark]



1 2

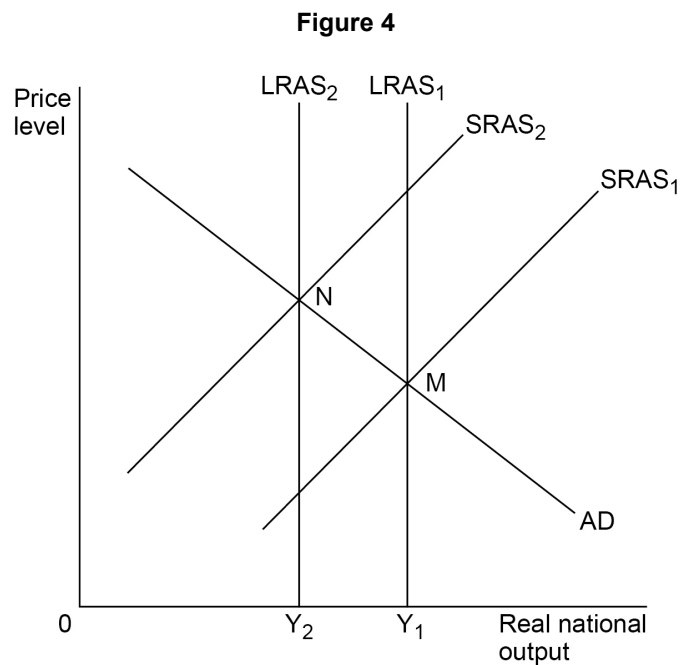
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8

1 | 2

Figure 4 shows the aggregate demand (**AD**) curve, the short-run aggregate supply (**SRAS₁** and **SRAS₂**) curves and the long-run aggregate supply (**LRAS₁** and **LRAS₂**) curves for an economy.

Do not write
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All other things being equal, which one of the following is most likely to move the economy from point **M** to point **N**?

[1 mark]

- A** A decrease in the natural rate of unemployment
- B** A loss of consumer and producer confidence
- C** A natural disaster, damaging productive capacity
- D** A rise in factor prices, resulting in cost-push inflation

☐
☐
☐
☐


0 8

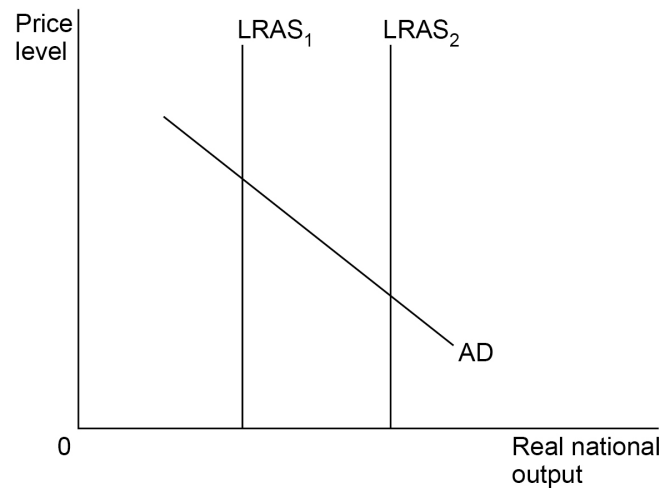
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17

2 8

Figure 8 shows the aggregate demand curve (AD) and the long-run aggregate supply curves (LRAS) for an economy.

A redistribution of government spending from spending on welfare towards the funding of research and development shifts the long-run aggregate supply curve from LRAS₁ to LRAS₂.

Figure 8

Which one of the following is the most likely effect of this policy?

[1 mark]

- A** A decrease in the number of people who are economically active
- B** An improvement in the balance of payments on current account
- C** An increase in the size of the government's budget deficit
- D** The creation of a positive output gap

☐
☐
☐
☐

Turn over for the next question

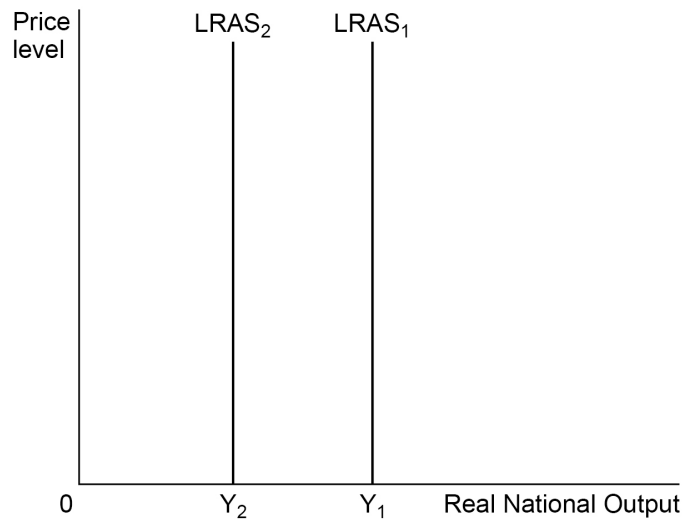
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1 7

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17

2 3**Figure 7** shows two long-run aggregate supply curves (LRAS) for an economy.*Do not write
outside the
box***Figure 7**

Which one of the following is most likely to explain the shift of the long-run aggregate supply curve from $LRAS_1$ to $LRAS_2$?

[1 mark]

- A** A reduction in the basic and higher rates of income tax
- B** A reduction in the geographical mobility of labour
- C** An increase in immigration
- D** An increase in imports of goods and services

☐☐☐☐**Turn over for the next question****Turn over ►**

1 7

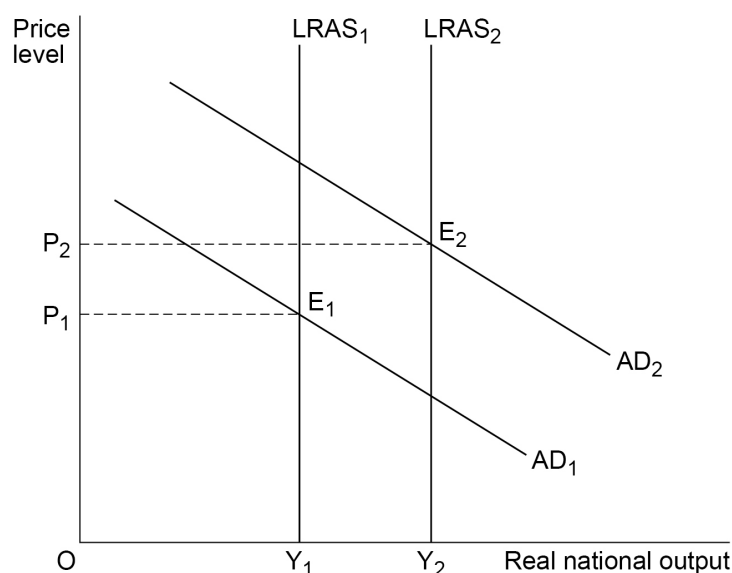
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15

2 | 6

Figure 7 shows two aggregate demand (AD_1 and AD_2) curves and two long-run aggregate supply ($LRAS_1$ and $LRAS_2$) curves for an economy.

Do not write
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box

Figure 7

All other things being equal, which one of the following combinations, **A**, **B**, **C** or **D**, is most likely to explain the movement of the economy from E_1 to E_2 ?

An increase in the

A budget surplus and size of the multiplier.

☐

B exchange rate and supply of money.

☐

C rate of inflation and positive output gap.

☐

D volume of exports and potential output.

☐

[1 mark]

2 | 7

Which one of the following is correct for a proportional tax on income?

A The amount of tax paid increases as income increases

☐

B The marginal rate of tax is lower than the average rate

☐

C The average rate of tax falls as income increases

☐

D The average rate of tax is lower than the marginal rate

☐

[1 mark]

Turn over ►



1 5

IB/M/Jun20/7136/3

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 – 7136/3 – JUNE 2024

SECTION A

KEY LIST

1	B (Employment of factors of production has an opportunity cost)	11	A (shift left and become flatter.)	21	C (4)
2	D (The firm is unlikely to know everything about job applicants' skills, abilities and motivation)	12	A (A firm's revenue would fall with any change in price)	22	D (An increase in the price of the industry's product caused by changing tastes)
3	C (Productive efficiency in the car industry is unchanged)	13	B (£0)	23	B (A reduction in the geographical mobility of labour)
4	C (Spending on Good X will fall by 2% and spending on Good Y will increase by 4%)	14	B (government failure due to unintended consequences.)	24	D (Liquidity worsens and profitability improves)
5	C (Indirect taxes made the distribution of income more unequal)	15	C (Store of value)	25	D (Imports from other member countries will increase)
6	C (-£8.5bn)	16	C (2022)	26	C (A surplus will lead to excess demand for the country's currency and an appreciating exchange rate)
7	C (Investment)	17	C (Tax F is a regressive tax and Tax G is a proportional tax)	27	D (The rate of growth in the country's exports of copper was higher in 2021 than in 2022)
8	D (Marginal utility from consuming the 3rd banana is less than the 2nd)	18	B (Increasing marginal returns to labour)	28	C (2022)
9	A (An increase in real national income and a reduction in the balance of payments deficit)	19	D (Sustained rises in nominal national income in future years)	29	C (Privatising key industries)
10	D (joint supply)	20	C (marginal cost equals average total cost.)	30	C (8 000)

MARK SCHEME – A-LEVEL ECONOMICS – 7136/3 – JUNE 2020

SECTION A**KEY LIST**

1	C	11	B	21	D
2	C	12	C	22	C
3	D	13	A	23	D
4	A	14	B	24	D
5	A	15	C	25	B
6	A	16	D	26	D
7	B	17	C	27	A
8	B	18	B	28	C
9	A	19	C	29	A
10	A	20	D	30	C

MARK SCHEME – A-LEVEL ECONOMICS – 7136/2 – JUNE 2018

Section A

Context 2

Total for this context: 40 marks

0 5 Using the data in **Extract D (Figure 4)**, calculate the average amount saved per household in 2016 if average household income was £26 300. Give your answer to the nearest pound.

[2 marks]

Calculation:

$$£26\,300 \times 0.071 = £1867.30$$

$$= £1867 \text{ to the nearest } £$$

Response	Marks
For a correct answer (£1867) with the £ sign.	2 marks
For a correct answer but without the £ sign and/or not to the nearest £ (eg £1867.30).	1 mark

MARK SCHEME – A-LEVEL ECONOMICS – 7136/2 – JUNE 2019

Context 2

Total for this context: 40 marks

0 5 Using the data in **Extract D** (Figure 3), calculate, to the **nearest pound**, the amount of income tax payable for someone in Scotland earning £13 500. **[2 marks]**

Response	Max 2 marks
For a correct answer £314 (with the £ sign) (allow £313).	2 marks
For a correct answer but without the £ sign and/or not to the nearest £. Or For the correct method but the wrong answer, to the nearest £ and with the £ sign.	1 mark

Calculation:

$$£13\,500 - £11\,850 = £1650 \qquad £1650 \times 0.19 = £313.50 \qquad = £314.00 \text{ (to the nearest £)}$$

MAXIMUM FOR QUESTION 05: 2 MARKS

MARK SCHEME – A-LEVEL ECONOMICS – 7136/2 – JUNE 2019

0 3 **Extract B** (lines 8–9) states ‘If injections into an economy’s circular flow of income increase, then this may generate multiple increases in GDP.’

With the help of a diagram, explain how an increase in injections may generate multiple increases in an economy’s GDP.

[9 marks]

Level of response	Response	Max 9 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 • includes a relevant diagram that will, at the top of this level, be accurate and used appropriately.	7–9 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.	4–6 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 relevant diagram but the diagram is not used and/or is inaccurate in some respects.	1–3 marks

An AD/AS diagram which shows AD shifting rightward on more than one occasion is expected. The first shift showing the initial impact of the injection, and the further shift(s) indicating the subsequent multiplier effect. However, if there is only one shift, accompanied by a written explanation that incorporates the multiplier effect, this is also acceptable.

MARK SCHEME – A-LEVEL ECONOMICS – 7136/3 – JUNE 2019

SECTION A

KEY LIST

1	C	11	A	21	C
2	B	12	C	22	A
3	B	13	C	23	B
4	A	14	D	24	B
5	B	15	D	25	B
6	B	16	B	26	C
7	B	17	C	27	B
8	D	18	C	28	A
9	B	19	C	29	C
10	C	20	C	30	C

MARK SCHEME – A-LEVEL ECONOMICS – 7136/3 – JUNE 2018

SECTION A

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

KEY LIST

1	B	16	C
2	A	17	A
3	D	18	A
4	D	19	D
5	D	20	A
6	A	21	C
7	D	22	D
8	C	23	C
9	D	24	A
10	B	25	A
11	B	26	C
12	B	27	D
13	C	28	C
14	C	29	C
15	B	30	C

Total: 30

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 – 7136/3 – 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 – 7136/2 – JUNE 2019

0 6 Explain how the data in **Extract D** (Figure 2) show that the UK's public finances have been improving since 2010.

[4 marks]

Response:	Max 4 marks
- includes evidence that shows that the UK's public finances have been improving since 2010 - clearly explains how this data is evidence that the UK's public finances have been improving since 2010	4 marks
- includes evidence that shows that the UK's public finances have been improving since 2010 - unclear explanation of how this data is evidence that the UK's public finances have been improving since 2010	3 marks
- includes some limited evidence that shows that the UK's public finances have been improving since 2010 - limited explanation of how this data is evidence that the UK's public finances have been improving since 2010	2 marks
- includes evidence that does not clearly show that the UK's public finances have been improving since 2010 - no explanation of how this data is evidence that the UK's public finances have been improving since 2010.	1 mark

Relevant issues include:

- the meaning of 'improved public finances'
- the deficit has fallen from the start (£140bn) to the end (£20bn)
- tax receipts have increased from start (£550bn in 2009/10) to finish (£830bn in 2020/11)
- tax receipts have increased each and every year, the smallest increase being between 2011/12 (£600bn) and 2012/13 (£610bn)
- government spending didn't increase in every year (although it almost did) – in 2010/11 and 2011/12 it remained at (£720bn) however tax revenue increased over this time
- the rate of increase of tax receipts is greater than that of government spending. Tax receipts increased from £550bn to £830bn over the period (an increase of 50.9%) compared to government spending which went from £690bn to £850bn (an increase of 23.2%)
- considering that the deficit has fallen in real terms or as a proportion of GDP.

MAXIMUM FOR QUESTION 06: 4 MARKS

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 – 7136/2 – JUNE 2024

Essay 3

Total for this essay: 40 marks

1	3
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*Explain how the multiplier **and** accelerator affect the overall level of economic activity.***[15 marks]****Relevant issues include:**

- definitions/explanations: multiplier, accelerator, economic activity
- explaining the difference between the multiplier and accelerator
- explaining the circular flow of income
- explaining real national income or GDP
- explaining the various injections and withdrawals
- explaining the marginal propensity to consume or withdraw
- explaining the multiplier formula or multiplier coefficient
- explaining how the accelerator leads to rising investment
- explaining how a change in injections and/or withdrawals creates an initial change in output and employment
- explaining how the multiplier and/or accelerator can magnify the effects of a change in injections and/or withdrawals on output and employment
- explaining that the multiplier and accelerator can lead to magnified increases or decreases in economic activity
- explaining how the multiplier and accelerator interact to affect the level of economic activity.

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 13: 15 MARKS

MARK SCHEME – A-LEVEL ECONOMICS – 7136/3 – JUNE 2017

SECTION A

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

KEY LIST

1	D	16	B
2	B	17	C
3	A	18	B
4	A	19	C
5	C	20	A
6	C	21	D
7	C	22	B
8	C	23	A
9	D	24	D
10	A	25	B
11	D	26	D
12	A	27	A
13	A	28	D
14	C	29	C
15	D	30	D

	<u>Total</u>
A	8
B	5
C	8
D	9
	<u>30</u>

MARK SCHEME – A-LEVEL ECONOMICS – 7136/3 – JUNE 2019

SECTION A

KEY LIST

1	C	11	A	21	C
2	B	12	C	22	A
3	B	13	C	23	B
4	A	14	D	24	B
5	B	15	D	25	B
6	B	16	B	26	C
7	B	17	C	27	B
8	D	18	C	28	A
9	B	19	C	29	C
10	C	20	C	30	C

MARK SCHEME – A-LEVEL ECONOMICS – 7136/3 – JUNE 2020

SECTION A

KEY LIST

1	C	11	B	21	D
2	C	12	C	22	C
3	D	13	A	23	D
4	A	14	B	24	D
5	A	15	C	25	B
6	A	16	D	26	D
7	B	17	C	27	A
8	B	18	B	28	C
9	A	19	C	29	A
10	A	20	D	30	C

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 – 7136/2 – JUNE 2023

Essay 2

Total for this essay: 40 marks

1 1

*Explain the possible causes of a shift in the short-run aggregate supply curve to the left.***[15 marks]****Relevant issues include:**

- definitions/explanations: short-run, aggregate supply, short-run aggregate supply (SRAS)
- explaining the SRAS curve shows the relationship between planned national output (GDP) and the general price level
- explaining the assumptions that factor prices, productivity, and technology are held constant in the short-run
- explaining the positive relationship between the price level and GDP linked to profit motives
- explaining that the price level and production costs are the main determinants of SRAS
- explaining causes of a shift to the left of the SRAS curve such as:
 - rising raw material costs
 - a rise in money wage rates
 - a rise in business taxes
 - a fall in productivity
 - a rise in import prices
 - a rise in oil prices
 - supply-side shocks or shortages.

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 11: 15 MARKS

MARK SCHEME – A-LEVEL ECONOMICS – 7136/3 – JUNE 2017

SECTION A

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

KEY LIST

1	D	16	B
2	B	17	C
3	A	18	B
4	A	19	C
5	C	20	A
6	C	21	D
7	C	22	B
8	C	23	A
9	D	24	D
10	A	25	B
11	D	26	D
12	A	27	A
13	A	28	D
14	C	29	C
15	D	30	D

	<u>Total</u>
A	8
B	5
C	8
D	9
	<u>30</u>

MARK SCHEME – A-LEVEL ECONOMICS – 7136/3 – JUNE 2018

SECTION A

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

KEY LIST

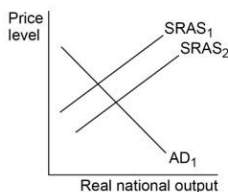
1	B	16	C
2	A	17	A
3	D	18	A
4	D	19	D
5	D	20	A
6	A	21	C
7	D	22	D
8	C	23	C
9	D	24	A
10	B	25	A
11	B	26	C
12	B	27	D
13	C	28	C
14	C	29	C
15	B	30	C

Total: 30

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 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 – 7136/3 – JUNE 2024

SECTION A

KEY LIST

1	B (Employment of factors of production has an opportunity cost)	11	A (shift left and become flatter.)	21	C (4)
2	D (The firm is unlikely to know everything about job applicants' skills, abilities and motivation)	12	A (A firm's revenue would fall with any change in price)	22	D (An increase in the price of the industry's product caused by changing tastes)
3	C (Productive efficiency in the car industry is unchanged)	13	B (£0)	23	B (A reduction in the geographical mobility of labour)
4	C (Spending on Good X will fall by 2% and spending on Good Y will increase by 4%)	14	B (government failure due to unintended consequences.)	24	D (Liquidity worsens and profitability improves)
5	C (Indirect taxes made the distribution of income more unequal)	15	C (Store of value)	25	D (Imports from other member countries will increase)
6	C (-£8.5bn)	16	C (2022)	26	C (A surplus will lead to excess demand for the country's currency and an appreciating exchange rate)
7	C (Investment)	17	C (Tax F is a regressive tax and Tax G is a proportional tax)	27	D (The rate of growth in the country's exports of copper was higher in 2021 than in 2022)
8	D (Marginal utility from consuming the 3rd banana is less than the 2nd)	18	B (Increasing marginal returns to labour)	28	C (2022)
9	A (An increase in real national income and a reduction in the balance of payments deficit)	19	D (Sustained rises in nominal national income in future years)	29	C (Privatising key industries)
10	D (joint supply)	20	C (marginal cost equals average total cost.)	30	C (8 000)

MARK SCHEME – A-LEVEL ECONOMICS – 7136/3 – JUNE 2020

SECTION A

KEY LIST

1	C	11	B	21	D
2	C	12	C	22	C
3	D	13	A	23	D
4	A	14	B	24	D
5	A	15	C	25	B
6	A	16	D	26	D
7	B	17	C	27	A
8	B	18	B	28	C
9	A	19	C	29	A
10	A	20	D	30	C