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AQA AS ECONOMICS: QUESTIONS BY TOPIC

Economic Performance

AQA AS Economics 7135 — Topic 4.2.3

36 questions · 177 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
4.2.3.1 ECONOMIC GROWTH AND THE ECONOMIC CYCLE		16 Qs · 66 marks	4
1. Q16	AS Paper 2, Section A (MCQ) June 2017	1	5
2. Q04	AS Paper 2, Section A (MCQ) June 2018	1	6
3. Q06	AS Paper 2, Section A (MCQ) June 2018	1	7
4. Q02	AS Paper 2, Section A (MCQ) June 2019	1	8
5. Q08	AS Paper 2, Section A (MCQ) June 2019	1	9
6. Q13	AS Paper 2, Section A (MCQ) June 2019	1	10
7. Q01	AS Paper 2, Section A (MCQ) November 2020	1	11
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9. Q07	AS Paper 2, Section A (MCQ) November 2020	1	13
10. Q15	AS Paper 2, Section A (MCQ) November 2020	1	14
11. Q27	AS Paper 2, Context 2 June 2023	3	15
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16. Q26	AS Paper 2, Context 1 June 2022	25	26
4.2.3.2 EMPLOYMENT AND UNEMPLOYMENT		16 Qs · 78 marks	36
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18. Q05	AS Paper 2, Section A (MCQ) June 2018	1	38
19. Q18	AS Paper 2, Section A (MCQ) June 2018	1	39
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23. Q18	AS Paper 2, Section A (MCQ) June 2022	1	43
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QUESTION	SOURCE	MARKS	PAGE
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QUESTIONS

36 questions · 177 marks · 3 sub-topics



SUB-TOPIC 4.2.3.1

ECONOMIC GROWTH AND THE ECONOMIC CYCLE

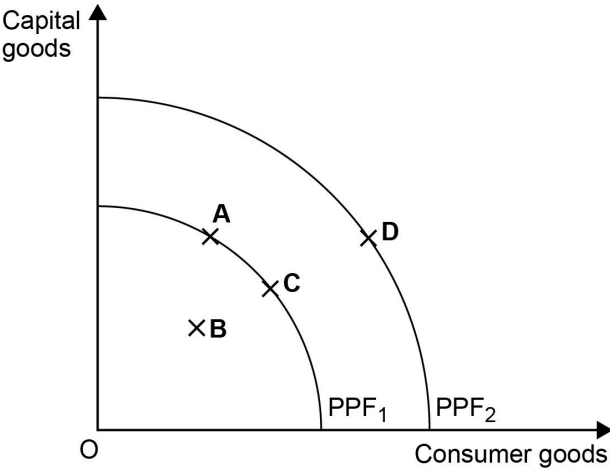
Sub-topic 4.2.3.1 · 16 questions · 66 marks · lowest tariff first



Do not write
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box

16

The diagram below shows two production possibility frontiers (PPF) for an economy.



Which one of the following movements represents an economy that has experienced short-run but not long-run economic growth?

- A

A to B

☐
- B

A to C

☐
- C

B to C

☐
- D

C to D

☐

[1 mark]

17

The table below shows four possible combinations of circumstances facing the UK economy. All other things being equal, which one of the following combinations is most likely to lead the Monetary Policy Committee of the Bank of England to lower Bank Rate?

	Output gap	Exchange rate	Inflation rate	
A	Negative	Falling	Above target	☐
B	Negative	Rising	Below target	☐
C	Positive	Falling	Below target	☐
D	Positive	Rising	Above target	☐

[1 mark]



4

*Do not write
outside the
box***0 4**

A government reduces its budget deficit. Other things remaining the same, the most likely short-run impact of this policy is

A a reduction in the current account deficit.

☐

B a reduction in unemployment.

☐

C an increase in the rate of economic growth.

☐

D an increase in the rate of inflation.

☐**[1 mark]****0 5**

Europe and North America enter a period of recovery from a recession. Other things remaining the same, the impact on the UK economy is most likely to be

A an increase in structural unemployment.

☐

B an increase in the current account deficit.

☐

C a reduction in cyclical unemployment.

☐

D a reduction in UK economic growth.

☐**[1 mark]****0 6**

Which one of the following best describes the action of the accelerator theory of investment?

A Firms decide to invest more following a cut in bank rate

☐

B Firms invest in capital equipment due to higher economic growth

☐

C Improved business confidence causes firms to increase their investment

☐

D Large profits encourage firms to invest in new capital equipment

☐**[1 mark]**

0 4

IB/M/Jun18/7135/2

4

0 4

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A a reduction in the current account deficit.

☐

B a reduction in unemployment.

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☐

C Improved business confidence causes firms to increase their investment

☐

D Large profits encourage firms to invest in new capital equipment

☐**[1 mark]**

Do not write
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box



0 4

IB/M/Jun18/7135/2

2

Section A

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

For each answer 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** When an economy goes into a recession, there is most likely to be a**A** growing balance of payments deficit.☐**B** positive output gap.☐**C** reduction in real GDP.☐**D** rise in inflation.☐**[1 mark]****0 2** Economic growth in the US increases from 2% to 5% a year. This is most likely to represent for the UK a**A** negative demand-side shock.☐**B** negative supply-side shock.☐**C** positive demand-side shock.☐**D** positive supply-side shock.☐**[1 mark]**

Turn over ►



0 2

IB/M/Jun19/7135/2

5

0 7

Many firms use profits to finance their capital investment instead of borrowing from banks. For these firms, higher interest rates are most likely to

A cause them to change the type of investment made with more investment in buildings.

☐

B cause them to reduce their investment as they can now earn more interest from saving their profits.

☐

C have no impact on the amount of investment undertaken as they pay no interest.

☐

D result in more investment as they can earn more interest on money deposited in banks.

☐

[1 mark]

0 8

There is a large depreciation in an economy's exchange rate but the value of its exports does not increase. The most likely reason for the absence of an increase in the value of exports is that

A consumer confidence in the economy has fallen.

☐

B other countries are in recession.

☐

C the government has implemented contractionary fiscal policy.

☐

D there is an increase in unemployment in the economy.

☐

[1 mark]

Turn over for the next question

Turn over ►



0 5

IB/M/Jun19/7135/2

8

Do not write
outside the
box**1 | 3**

An economy is in macroeconomic equilibrium with total expenditure and total income each equal to £407 billion. This means that the current value of total output will be

A £407 billion plus the annual rate of economic growth.

☐

B £814 billion after adjusting for the multiplier effect.

☐

C the same as total expenditure and total income.

☐

D the same as total income after adjusting for inflation.

☐**[1 mark]****1 | 4**

A government wanting to reduce unemployment in the short run, through the use of fiscal policy, is most likely to

A attempt to increase the size of its budget surplus.

☐

B reduce indirect taxes on consumption.

☐

C reduce interest rates to stimulate investment.

☐

D take measures to reduce the size of its budget deficit.

☐**[1 mark]****1 | 5**

World oil prices rise by 30%. On an AD/AS diagram the main effects are shown by a shift left in

A both the aggregate demand curve and the short-run aggregate supply curve.

☐

B the aggregate demand curve as consumers face higher prices for petrol.

☐

C the long-run aggregate supply curve as firms reduce their investment in renewable energy.

☐

D the short-run aggregate supply curve as firms face higher costs.

☐**[1 mark]**

0 8

IB/M/Jun19/7135/2

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** An economy experiences a positive supply-side shock. Other things remaining equal, the impact on the economy is most likely to be**A** higher inflation and faster economic growth.☐**B** higher output and lower inflation.☐**C** lower employment and slower economic growth.☐**D** lower unemployment and a larger budget deficit.☐**[1 mark]****0 2** The quantity of food imported by an economy increases by 12% in one year. The most likely cause is a fall in**A** domestic farm prices.☐**B** income tax.☐**C** the exchange rate.☐**D** welfare benefits.☐**[1 mark]**

0 2

IB/M/Jun20/7135/2

4

Do not write
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0 5

An economy has recently recovered from a recession and closed its negative output gap. The government would now like to increase the trend rate of economic growth.

Which **one** of the following policies is likely to be the most effective?

A Expansionary fiscal policy

☐

B Expansionary monetary policy

☐

C Redistributive policies

☐

D Supply-side policies

☐

[1 mark]

0 6

The government invests £1 billion in an extension to the motorway network. As a result, in addition to this initial investment, national income increases by a further £2 billion.

What is the value of the multiplier?

A 0.5

☐

B 1

☐

C 2

☐

D 3

☐

[1 mark]

0 7

An economy is experiencing short-run economic growth accompanied by falling unemployment. This is due to rising aggregate demand following the introduction of an expansionary fiscal policy.

Which **one** of the following is most likely to help the economy avoid rising inflation?

A A fall in the exchange rate and falling productivity

☐

B A fall in the exchange rate and rising productivity

☐

C A rise in the exchange rate and falling productivity

☐

D A rise in the exchange rate and rising productivity

☐

[1 mark]



0 4

IB/M/Jun20/7135/2

4

Do not write
outside the
box

0 5

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☐

B Expansionary monetary policy

☐

C Redistributive policies

☐

D Supply-side policies

☐

[1 mark]

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A 0.5

☐

B 1

☐

C 2

☐

D 3

☐

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☐

B A fall in the exchange rate and rising productivity

☐

C A rise in the exchange rate and falling productivity

☐

D A rise in the exchange rate and rising productivity

☐

[1 mark]



0 4

IB/M/Jun20/7135/2

8

1 4

Which statement applies to progressive taxes, but does not apply to proportional or regressive taxes?

As income falls

A a larger percentage of income is taken in tax.

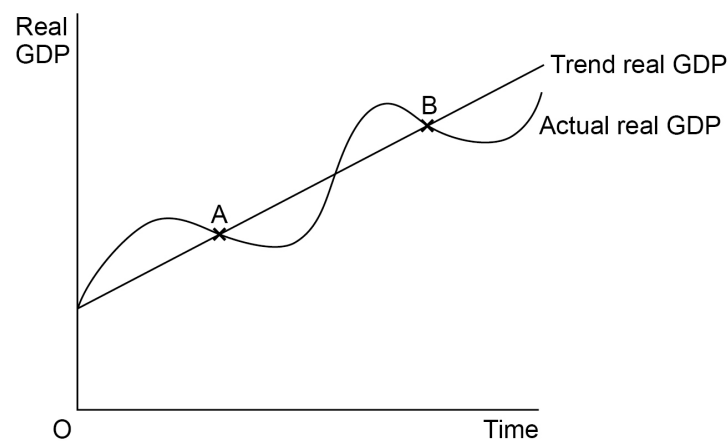
B a smaller percentage of income is taken in tax.

C less income is taken in tax.

D the same percentage of income is taken in tax.

☐☐☐☐**[1 mark]****1 5**

Figure 4 shows the performance of an economy through time.

Figure 4

As the economy moves from point A to point B, it can be concluded that

A the economy has completed one economic cycle.

B the level of GDP per head has risen.

C the rate of economic growth has increased.

D the trend rate of growth is higher.

☐☐☐☐**[1 mark]**

0 8

IB/M/Jun20/7135/2

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

OR

Context 2

Total for this context: 50 marks

INTERNATIONAL TRADE

Use the Insert provided to study **Questions 27 to 32** and **Extracts D, E and F**, and then answer the questions in the spaces which follow.

27

Define 'economic recovery' **Extract E** (line 17).

[3 marks]

28

In the year to July 2020, the deficit in the balance of trade in goods was £105 billion. Calculate the value of imports of goods for the year to July 2020, using the information in **Extract E** (lines 12–15) to help you.

[4 marks]

Do not write
outside the
box



2 2

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

[4 marks]

Do not write
outside the
box

Turn over for the next question

Turn over ►



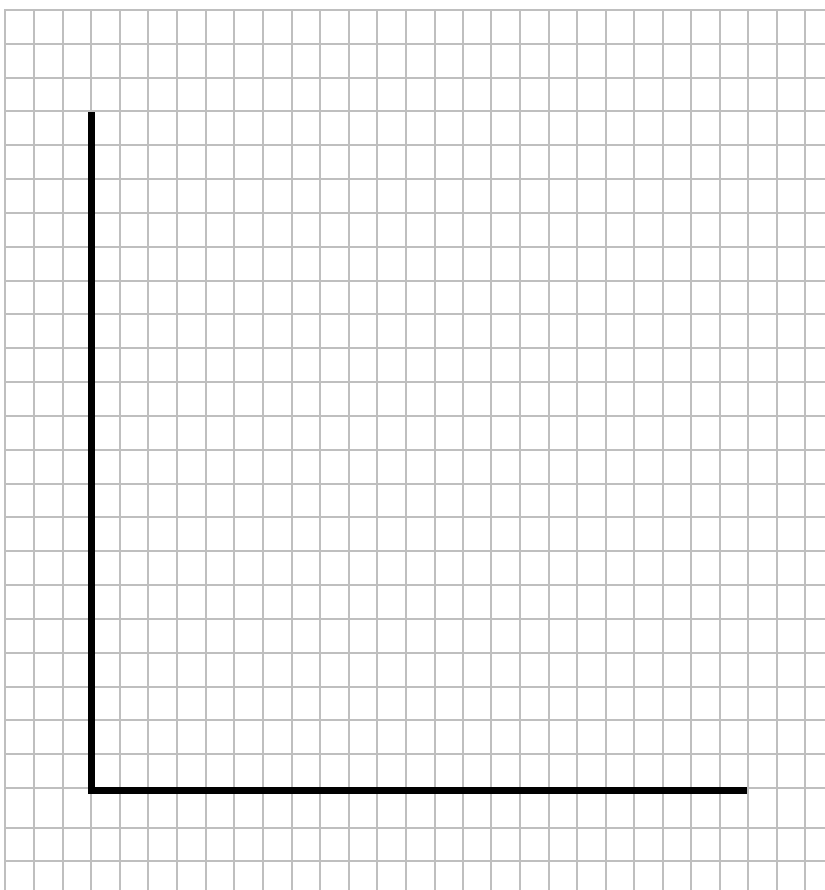
IB/M/Jun19/7135/2

25

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]

Turn over for the next question

Do not write
outside the
box

Turn over ►



IB/M/Jun20/7135/2

3	1
---	---

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

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

[10 marks]

Do not write
outside the
box



27

Do not write
outside the
box

[illegible]

Turn over ►



IB/M/Jun19/7135/2

Handwriting practice area with 30 horizontal dotted lines.

Handwriting practice area with 30 horizontal dotted lines.

27

3	1
---	---

Extract F (lines 1–2) states: ‘Many economists believe that the trade balance reflects the strength or weakness of a country’s international competitiveness’.

Explain how a fall in a country's international competitiveness may affect economic growth in the economy.

[10 marks]

Do not write
outside the
box

Turn over ►



27

IB/M/Jun23/7135/2

Extra space

Do not write
outside the
box



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Handwriting practice area with 25 horizontal dotted lines.

2	6
---	---

Extract C (lines 2–4) states: ‘...the Prime Minister, Boris Johnson, had promised to make the 2020s a “decade of prosperity and opportunity”. If this is to be achieved, it will be essential to find ways to boost both short-run and long-run growth’.

Use the extracts and your knowledge of economics to evaluate different policies that can be used to increase the long-run rate of growth of the UK economy.

[25 marks]

Do not write
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box



IB/M/Jun22/7135/2

[illegible]

27

20

Extra space

Do not write
outside the
box



IB/M/Jun22/7135/2

Do not write
outside the
box

[illegible]

29

Do not write
outside the
box

[illegible]

50



23

Do **NOT** answer Context 2 if you have answered Context 1.Do not write
outside the
box

OR

Context 2

Total for this context: 50 marks

GOVERNMENT SPENDING AND TAXATION

Use the Insert provided to study **Questions 27 to 32** and **Extracts D, E and F**, and then answer the questions in the spaces which follow.

2 | 7 Define 'unemployment rate' **Extract E** (line 18).

[3 marks]

2 | 8 If the government allocated £275 billion to social security spending in 2018–19, use **Extract D** to calculate, to the **nearest billion**, the total amount of government spending in 2018–19.

[4 marks]

Turn over ►

IB/M/Jun22/7135/2

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Handwriting practice area with horizontal dotted lines.

Handwriting practice area with horizontal dotted lines.

SUB-TOPIC 4.2.3.2

EMPLOYMENT AND UNEMPLOYMENT

Sub-topic 4.2.3.2 · 16 questions · 78 marks · lowest tariff first



11

Do not write
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box

1 8

Which one of the following is most likely to reduce cyclical unemployment in the UK?

A A cut in the UK budget deficit

☐

B An increase in the pound sterling exchange rate

☐

C An increase in the UK retirement age

☐

D Higher economic growth in the Eurozone

☐

[1 mark]

1 9

All other things remaining the same, which one of the following events would directly increase the size of the UK's national debt? An increase in

A mortgage borrowing from UK banks.

☐

B overseas lending to UK firms.

☐

C the UK's current account deficit.

☐

D the UK government's budget deficit.

☐

[1 mark]

2 0

Which one of the following is most likely to improve the supply-side performance of an economy? An increase in

A government spending on welfare benefits.

☐

B growth in the rest of the world.

☐

C labour productivity.

☐

D the basic rate of income tax.

☐

[1 mark]

**QUESTION 20 IS THE LAST
QUESTION IN SECTION A.**



Turn over ►

IB/G/Jun17/7135/2

4

*Do not write
outside the
box***0 4**

A government reduces its budget deficit. Other things remaining the same, the most likely short-run impact of this policy is

A a reduction in the current account deficit.

☐

B a reduction in unemployment.

☐

C an increase in the rate of economic growth.

☐

D an increase in the rate of inflation.

☐**[1 mark]****0 5**

Europe and North America enter a period of recovery from a recession. Other things remaining the same, the impact on the UK economy is most likely to be

A an increase in structural unemployment.

☐

B an increase in the current account deficit.

☐

C a reduction in cyclical unemployment.

☐

D a reduction in UK economic growth.

☐**[1 mark]****0 6**

Which one of the following best describes the action of the accelerator theory of investment?

A Firms decide to invest more following a cut in bank rate

☐

B Firms invest in capital equipment due to higher economic growth

☐

C Improved business confidence causes firms to increase their investment

☐

D Large profits encourage firms to invest in new capital equipment

☐**[1 mark]**

0 4

IB/M/Jun18/7135/2

11

1 8

An expansionary monetary policy has been implemented. Which one of the following combinations of macroeconomic changes is most likely to happen?

A A fall in the price of imports and more demand for bank loans

☐

B A rise in consumption and an increase in house prices

☐

C An increase in employment and a rise in government borrowing

☐

D An increase in retail sales and a rise in the savings ratio

☐**[1 mark]****1 9**

The world market price of oil falls by 40 per cent. Other things remaining the same, the impact on the UK economy is most likely to be

A an increase in aggregate demand and inflation.

☐

B deflation and lower output.

☐

C disinflation and higher output.

☐

D higher unemployment and inflation.

☐**[1 mark]****Turn over for the next question**

*Do not write
outside the
box*

Turn over ►

IB/M/Jun18/7135/2

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 is most likely to be an objective of government economic policy?

A A low level of employment☐**B** A lower price level☐**C** An equal distribution of income☐**D** An increase in productive potential☐**[1 mark]**

0 2

IB/M/Jun22/7135/2

4

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outside the
box

0 4 Unemployment rose in an economy despite overall economic growth. This is most likely to be explained by an increase in

A cyclical unemployment.

☐

B job vacancies.

☐

C structural unemployment.

☐

D the school leaving age.

☐

[1 mark]

0 5 An economy experiences an increasing negative output gap. Which one of the following combinations of outcomes most accurately describes the likely effects of this?

	Imports	Inflationary pressure	Unemployment
A	Falling	Falling	Rising
B	Falling	Rising	Falling
C	Rising	Falling	Rising
D	Rising	Rising	Falling

☐
☐
☐
☐

[1 mark]

0 6 A deflationary policy is designed to

A avoid deflation.

☐

B increase aggregate demand.

☐

C lead to deflation.

☐

D reduce aggregate demand.

☐

[1 mark]



0 4

IB/M/Jun22/7135/2

4

Do not write
outside the
box

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☐

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☐

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[1 mark]

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	Imports	Inflationary pressure	Unemployment
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B	Falling	Rising	Falling
C	Rising	Falling	Rising
D	Rising	Rising	Falling

☐
☐
☐
☐

[1 mark]

0 6 A deflationary policy is designed to

A avoid deflation.

☐

B increase aggregate demand.

☐

C lead to deflation.

☐

D reduce aggregate demand.

☐

[1 mark]



0 4

IB/M/Jun22/7135/2

10

*Do not write
outside the
box*

1 | 6 A government cuts the rate of corporation tax from 30% to 15%.
This policy is most likely intended to

- A** decrease the level of savings.
- B** improve labour mobility.
- C** reduce investment from overseas companies.
- D** stimulate supply-side improvements.

☐☐☐☐**[1 mark]**

1 | 7 An economy has a deficit on the current account of its balance of payments.
Which one of the following sets of circumstances is most likely to cause the deficit
to increase?

- A** A depreciating exchange rate and lower unemployment
- B** Better supply-side policies and lower interest rates
- C** Expansionary fiscal policy and a stronger exchange rate
- D** Increased labour productivity and lower interest rates

☐☐☐☐**[1 mark]**

1 | 8 An economy experiencing a high rate of short-run economic growth is likely to have an
increase in

- A** firms' spare capacity.
- B** job vacancies.
- C** spending on unemployment benefits.
- D** the real value of money.

☐☐☐☐**[1 mark]**

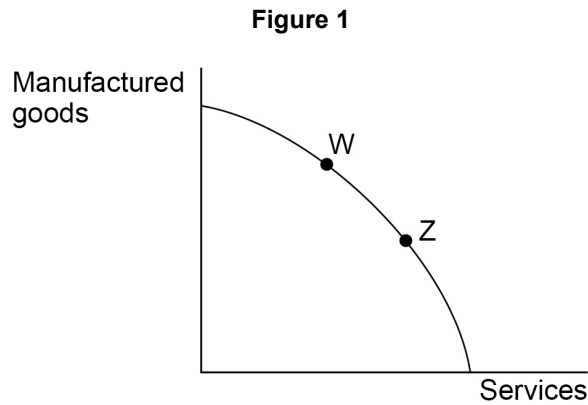
IB/M/Jun22/7135/2

7

0 9

Figure 1 shows the production possibility curve for an economy producing services and manufactured goods.

Do not write
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box



The economy moves from point **W** to point **Z**. It can be concluded that

[1 mark]

- A** imports of manufactured goods have risen.
- B** the international competitiveness of services has increased.
- C** the pattern of economic activity has changed.
- D** unemployment in manufacturing has increased.

☐
☐
☐
☐

Turn over for the next question

Turn over ►



0 7

IB/M/Jun23/7135/2

10

Do not write
outside the
box**1 4**

Which one of the following is most likely to be an instrument of industrial policy?

[1 mark]**A** An increase in manufacturing productivity☐**B** Government grants for firms with growth potential☐**C** Higher investment by firms in research and development☐**D** Investment by firms in artificial intelligence☐**1 5**

An economy experiences a low trend rate of economic growth, no output gap and a fall in total hours worked. In these circumstances, which one of the following combinations of events is most likely to occur?

[1 mark]

	National output	Cyclical unemployment	Labour productivity
A	Falling	Absent	Increasing
B	Falling	Present	Decreasing
C	Rising	Absent	Increasing
D	Rising	Present	Decreasing

☐☐☐☐**1 6**

The UK economy experiences a change in its foreign exchange rate from £1 = \$1.60 to £1 = \$1.75.

Which one of the following is the most likely effect on the UK economy?

[1 mark]**A** A decrease in employment☐**B** A fall in the budget deficit☐**C** A reduction in productivity☐**D** Higher raw material prices☐

1 0

IB/M/Jun23/7135/2

10

Do not write
outside the
box**1 | 4**

Which one of the following is most likely to be an instrument of industrial policy?

[1 mark]**A** An increase in manufacturing productivity☐**B** Government grants for firms with growth potential☐**C** Higher investment by firms in research and development☐**D** Investment by firms in artificial intelligence☐**1 | 5**

An economy experiences a low trend rate of economic growth, no output gap and a fall in total hours worked. In these circumstances, which one of the following combinations of events is most likely to occur?

[1 mark]

	National output	Cyclical unemployment	Labour productivity
A	Falling	Absent	Increasing
B	Falling	Present	Decreasing
C	Rising	Absent	Increasing
D	Rising	Present	Decreasing

☐☐☐☐**1 | 6**

The UK economy experiences a change in its foreign exchange rate from £1 = \$1.60 to £1 = \$1.75.

Which one of the following is the most likely effect on the UK economy?

[1 mark]**A** A decrease in employment☐**B** A fall in the budget deficit☐**C** A reduction in productivity☐**D** Higher raw material prices☐

1 0

IB/M/Jun23/7135/2

6

09

A government wishes to reduce the surplus on the current account of the balance of payments. Which **one** of the following sets of policies is likely to be the most successful?

	Change in the exchange rate	Change in the budget surplus
A	Decrease	Decrease
B	Decrease	Increase
C	Increase	Decrease
D	Increase	Increase

☐☐☐☐

[1 mark]

10

In which **one** of the following situations is there most likely to be cyclical unemployment in an economy?

A Absence of an output gap

☐

B Generous unemployment benefits

☐

C Many firms with excess capacity

☐

D Widespread investment in labour-saving equipment

☐

[1 mark]

11

At the start of the year, the national debt for an economy was £920 billion. In the previous year, the budget deficit was £60 billion. In the current year, government spending is projected to fall by £20 billion and tax revenues to increase by £10 billion from last year's levels.

Other things remaining equal, the expected size of the national debt at the end of the current year is

A £890 billion.

☐

B £950 billion.

☐

C £960 billion.

☐

D £980 billion.

☐

[1 mark]



06

IB/M/Jun20/7135/2

23

Do **NOT** answer Context 2 if you have answered Context 1.Do not write
outside the
box

OR

Context 2

Total for this context: 50 marks

GOVERNMENT SPENDING AND TAXATION

Use the Insert provided to study **Questions 27 to 32** and **Extracts D, E and F**, and then answer the questions in the spaces which follow.

2 7 Define 'unemployment rate' **Extract E** (line 18).

[3 marks]

2 8 If the government allocated £275 billion to social security spending in 2018–19, use **Extract D** to calculate, to the **nearest billion**, the total amount of government spending in 2018–19.

[4 marks]

Turn over ►

IB/M/Jun22/7135/2

2 3

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

[4 marks]

Do not write
outside the
box

Comparison 1 _____

Extra space _____

Comparison 2 _____

Extra space _____



2	5
---	---

Extract B (line 2) states: ‘...there were signs that economies were in the midst of a global slowdown’.

Explain how a global slowdown can affect employment in the UK.

[10 marks]

*Do not write
outside the
box*



*Do not write
outside the
box*

[illegible]

51

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2	6
---	---

Extract C (lines 5–6) states ‘Some economists believe that a reduction in the level of economic activity and an increase in unemployment are inevitable.’

Use the extracts and your knowledge of economics to assess the view that when an economy experiences a negative economic shock there will always be a sustained increase in unemployment.

[25 marks]

Do not write
outside the
box



IB/M/Jun18/7135/2

Do not write
outside the
box

Extra space _____

Turn over ►



IB/M/Jun18/7135/2

Do not write
outside the
box

[illegible]

IB/M/Jun18/7135/2

Do not write
outside the
box

[illegible]

IB/M/Jun18/7135/2

22

Do not write
outside the
box

[illegible]

50



IB/M/Jun18/7135/2

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Handwriting practice area with horizontal dotted lines.

Handwriting practice area with horizontal dotted lines.

[illegible]

20

Extra space

Do not write
outside the
box



IB/M/Jun19/7135/2

Do not write
outside the
box

[illegible]

66

22

Do not write
outside the
box

[illegible]

50



IB/M/Jun19/7135/2

23

Do **NOT** answer Context 2 if you have answered Context 1.Do not write
outside the
box

OR

Context 2

Total for this context: 50 marks

UK EXPORTS

Use the insert provided to study **Questions 27 to 32** and **Extracts D, E and F**, and then answer the questions in the spaces which follow.

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

[3 marks]

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

[4 marks]

Turn over ►

IB/M/Jun19/7135/2

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SUB-TOPIC 4.2.3.3

INFLATION AND DEFLATION

Sub-topic 4.2.3.3 · 4 questions · 33 marks · lowest tariff first



11

1 8

An expansionary monetary policy has been implemented. Which one of the following combinations of macroeconomic changes is most likely to happen?

A A fall in the price of imports and more demand for bank loans

☐

B A rise in consumption and an increase in house prices

☐

C An increase in employment and a rise in government borrowing

☐

D An increase in retail sales and a rise in the savings ratio

☐**[1 mark]****1 9**

The world market price of oil falls by 40 per cent. Other things remaining the same, the impact on the UK economy is most likely to be

A an increase in aggregate demand and inflation.

☐

B deflation and lower output.

☐

C disinflation and higher output.

☐

D higher unemployment and inflation.

☐**[1 mark]****Turn over for the next question**

*Do not write
outside the
box*

Turn over ►

IB/M/Jun18/7135/2

12

Section B

Look at the Insert and choose to answer **EITHER** Context 1 **OR** Context 2.

Answer **EITHER** Questions 21 to 26 in the spaces below

OR

Questions 27 to 32 on pages 23 to 32 of this answer booklet.

There is a total of 50 marks for either context.

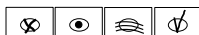
*Do not write
outside the
box*

Shade the circle below to indicate which context you have answered.

Context **0 1** ☐

Context **0 2** ☐

WRONG METHODS



CORRECT METHOD

**EITHER****Context 1**

Total for this context: 50 marks

ECONOMIC GROWTH

Use the Insert provided to study **Questions 21 to 26** and **Extracts A, B and C**, and then answer the questions in the spaces which follow.

2 1

Define 'price stability' **Extract B** (line 3).

[3 marks]



IB/M/Jun22/7135/2

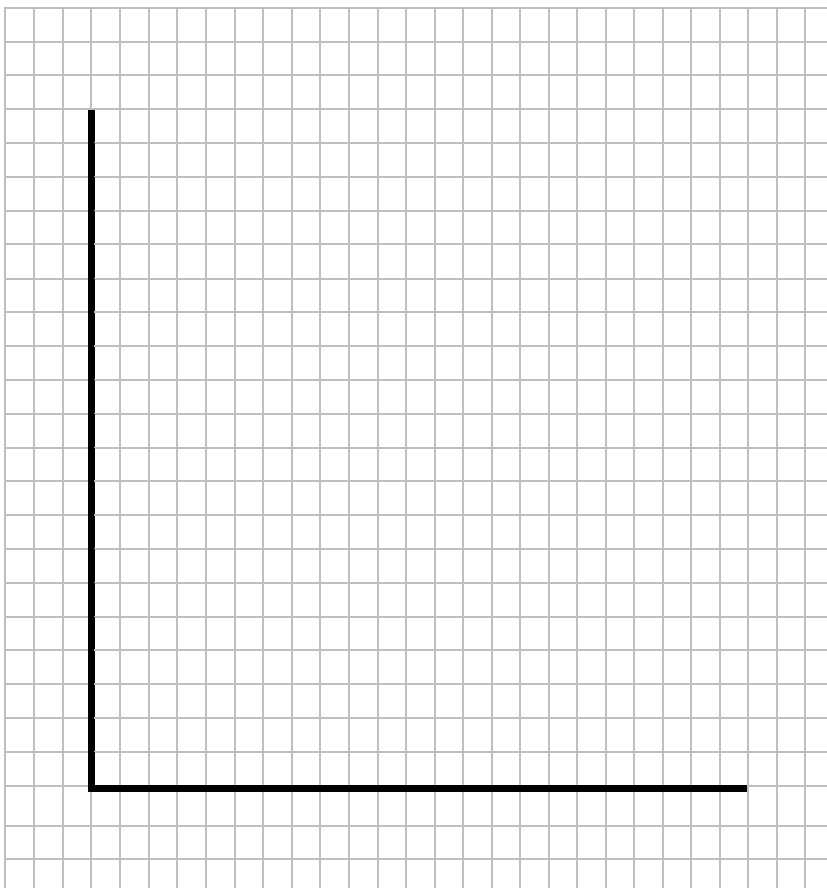
24

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outside the
box*

3	0
---	---

Extract E (lines 1-2) states ‘...the causes include a stronger pound, higher energy prices’.

Draw an AD/AS diagram to show the impact of higher energy prices on the price level and real output.

[4 marks]

IB/G/Jun17/7135/2

[illegible]

78

30

Extra space

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IB/M/Jun20/7135/2

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outside the
box*

[illegible]

80

*Do not write
outside the
box*

[illegible]

50



81

There are no questions printed on this page

DO NOT WRITE ON THIS PAGE
ANSWER IN THE SPACES PROVIDED

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outside the
box







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MARK SCHEMES

official mark schemes



MARK SCHEME – AS ECONOMICS – 7135/2– JUNE 2017

SECTION A

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

KEY LIST

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

	<u>Total</u>
A	2
B	8
C	3
D	7
	<u>20</u>

MARK SCHEME – AS ECONOMICS – 7135/2 – JUNE 2018

SECTION A

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

KEY LIST

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

MARK SCHEME – AS ECONOMICS – 7135/2 – JUNE 2018

SECTION A

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

KEY LIST

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

MARK SCHEME – AS ECONOMICS – 7135/2 – JUNE 2019

Section A

KEY LIST

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

Totals

A 4
B 7
C 5
D 4

MARK SCHEME – AS ECONOMICS – 7135/2 – JUNE 2019

Section A

KEY LIST

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

Totals

A 4
 B 7
 C 5
 D 4

MARK SCHEME – AS ECONOMICS – 7135/2 – JUNE 2019

Section A

KEY LIST

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

Totals

A 4
 B 7
 C 5
 D 4

MARK SCHEME – AS ECONOMICS – 7135/2 – JUNE 2020

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

MARK SCHEME – AS ECONOMICS – 7135/2 – JUNE 2020

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

MARK SCHEME – AS ECONOMICS – 7135/2 – JUNE 2020

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

MARK SCHEME – AS ECONOMICS – 7135/2 – JUNE 2020

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

MARK SCHEME – AS ECONOMICS – 7135/2 – JUNE 2023

Context 2 International trade

Total for this context: 50 marks

2	7
---	---

 Define 'economic recovery' **Extract E** (line 17).

[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 an economy moves out of a recession and real GDP begins to grow
- when an economy experiences growth in output and unemployment begins to fall.

Examples of a definition worth 2 marks:

- a reduction in spare capacity
- when an economy experiences growth

Examples of a definition worth 1 mark:

- a phase of the economic cycle.

MAXIMUM FOR QUESTION 27: 3 MARKS

MARK SCHEME – AS ECONOMICS – 7135/2 – JUNE 2019

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

[4 marks]

Calculation involves:

$$\begin{aligned} & (3\,266\,000 \times 27\%) + (4\,177\,000 \times 35\%) \text{ or equivalent} \\ & = 881\,820 + 1\,461\,950 \\ & = 2\,343\,770 \end{aligned}$$

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

MAXIMUM FOR QUESTION 22: 4 MARKS

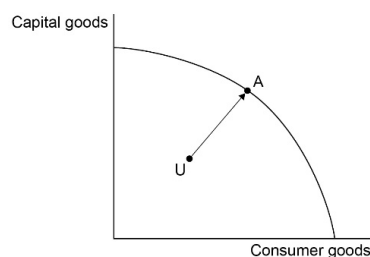
MARK SCHEME – AS ECONOMICS – 7135/2 – JUNE 2020

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

MARK SCHEME – AS ECONOMICS – 7135/2 – JUNE 2019

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

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

[10 marks]

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

Relevant issues include:

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

MAXIMUM FOR QUESTION 31: 10 MARKS

MARK SCHEME – AS ECONOMICS – 7135/2 – JUNE 2023

3 1 *Extract F (lines 1–2) states: ‘Many economists believe that the trade balance reflects the strength or weakness of a country’s international competitiveness’.*

Explain how a fall in a country’s international competitiveness may affect economic growth in the economy.

[10 marks]

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

Relevant issues include:

- meaning of international competitiveness, economic growth/short-run growth/long-run growth
- rising imports/falling exports
- balance of payments on current account
- impact on aggregate demand
- unemployment
- multiplier and accelerator effects
- impact on investment
- impact on productivity
- impact on aggregate supply.

MAXIMUM FOR QUESTION 31: 10 MARKS

MARK SCHEME – AS ECONOMICS – 7135/2 – JUNE 2022

2 6 **Extract C** (lines 2–4) states: ‘...the Prime Minister, Boris Johnson, had promised to make the 2020s a “decade of prosperity and opportunity.” If this is to be achieved, it will be essential to find ways to boost both short-run and long-run growth’.

Use the extracts and your knowledge of economics to evaluate different policies that can be used to increase the long-run rate of growth of the UK economy.

[25 marks]

Areas for discussion include:

- economic growth
- short-run growth versus long-run growth
- determinants of long-run trend rate of growth
- supply-side policies
- fiscal policy and its influence on the supply side of the economy
- advantages and disadvantages of various supply-side policies
- the role of monetary policy in helping to increase the long-run rate of growth
- the importance of confidence/uncertainty
- demand-side factors affecting long-run growth
- supply-side factors affecting growth
- consideration of the amount of spare capacity within the economy
- the role of the private sector in helping to achieve economic growth
- multiplier/accelerator effects
- consideration of the economic cycle
- consideration of limitations, such as import taxes, Brexit, the size of the budget deficit
- the importance of external influences, such as ‘the global slowdown’
- consideration of the context of the UK economy, such as ‘a decade of prosperity and opportunity’.

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

MARK SCHEME – AS ECONOMICS – 7135/2– JUNE 2017

SECTION A

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

KEY LIST

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

	<u>Total</u>
A	2
B	8
C	3
D	7
	<u>20</u>

MARK SCHEME – AS ECONOMICS – 7135/2 – JUNE 2018

SECTION A

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

KEY LIST

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

MARK SCHEME – AS ECONOMICS – 7135/2 – JUNE 2018

SECTION A

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

KEY LIST

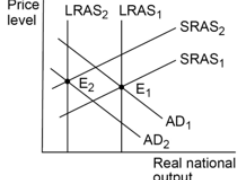
1	D	11	B
2	B	12	C
3	C	13	A
4	A	14	C
5	C	15	B
6	B	16	C
7	B	17	B
8	D	18	B
9	D	19	C
10	B	20	B

MARK SCHEME – AS ECONOMICS – 7135/2 – JUNE 2022

SECTION A

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

KEY LIST

1	D (An increase in productive potential)	11	D (spending)
2	B (Faster economic growth abroad and lower world commodity prices)	12	B (income tax rates are reduced)
3	A (allow easier comparison of data)	13	C 
4	C (structural unemployment)	14	B (budget surplus)
5	A (Falling, Falling, Rising)	15	B (£1455bn)
6	D (reduce aggregate demand)	16	D (stimulate supply-side improvements)
7	C (rose faster in Country X between 2017 and 2019)	17	C (Expansionary fiscal policy and a stronger exchange rate)
8	D (real incomes may have risen or fallen)	18	B (job vacancies)
9	A (Decrease, Decrease, Increase)	19	D (unemployment)
10	C (the action of the accelerator)	20	A (exchange rate)

Totals

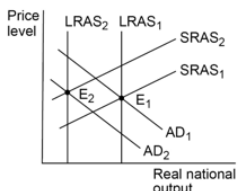
A 4
B 5
C 5
D 6

MARK SCHEME – AS ECONOMICS – 7135/2 – JUNE 2022

SECTION A

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

KEY LIST

1	D (An increase in productive potential)	11	D (spending)
2	B (Faster economic growth abroad and lower world commodity prices)	12	B (income tax rates are reduced)
3	A (allow easier comparison of data)	13	C 
4	C (structural unemployment)	14	B (budget surplus)
5	A (Falling, Falling, Rising)	15	B (£1455bn)
6	D (reduce aggregate demand)	16	D (stimulate supply-side improvements)
7	C (rose faster in Country X between 2017 and 2019)	17	C (Expansionary fiscal policy and a stronger exchange rate)
8	D (real incomes may have risen or fallen)	18	B (job vacancies)
9	A (Decrease, Decrease, Increase)	19	D (unemployment)
10	C (the action of the accelerator)	20	A (exchange rate)

Totals

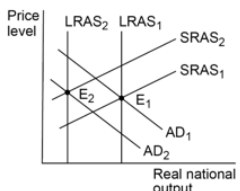
A 4
B 5
C 5
D 6

MARK SCHEME – AS ECONOMICS – 7135/2 – JUNE 2022

SECTION A

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

KEY LIST

1	D (An increase in productive potential)	11	D (spending)
2	B (Faster economic growth abroad and lower world commodity prices)	12	B (income tax rates are reduced)
3	A (allow easier comparison of data)	13	C 
4	C (structural unemployment)	14	B (budget surplus)
5	A (Falling, Falling, Rising)	15	B (£1455bn)
6	D (reduce aggregate demand)	16	D (stimulate supply-side improvements)
7	C (rose faster in Country X between 2017 and 2019)	17	C (Expansionary fiscal policy and a stronger exchange rate)
8	D (real incomes may have risen or fallen)	18	B (job vacancies)
9	A (Decrease, Decrease, Increase)	19	D (unemployment)
10	C (the action of the accelerator)	20	A (exchange rate)

Totals

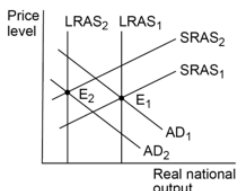
A 4
B 5
C 5
D 6

MARK SCHEME – AS ECONOMICS – 7135/2 – JUNE 2022

SECTION A

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

KEY LIST

1	D (An increase in productive potential)	11	D (spending)
2	B (Faster economic growth abroad and lower world commodity prices)	12	B (income tax rates are reduced)
3	A (allow easier comparison of data)	13	C 
4	C (structural unemployment)	14	B (budget surplus)
5	A (Falling, Falling, Rising)	15	B (£1455bn)
6	D (reduce aggregate demand)	16	D (stimulate supply-side improvements)
7	C (rose faster in Country X between 2017 and 2019)	17	C (Expansionary fiscal policy and a stronger exchange rate)
8	D (real incomes may have risen or fallen)	18	B (job vacancies)
9	A (Decrease, Decrease, Increase)	19	D (unemployment)
10	C (the action of the accelerator)	20	A (exchange rate)

Totals

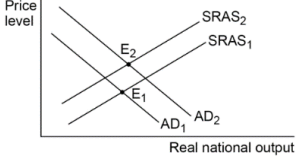
A 4
B 5
C 5
D 6

MARK SCHEME – AS ECONOMICS – 7135/2 – JUNE 2023

SECTION A

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

KEY LIST

1	B (Exports)	11	A (cut government borrowing.)
2	C (Resources are fully employed)	12	B (Real national income increased)
3	D (The value of money rose between 2008 and 2011.)	13	C (government.)
4	C 	14	B (Government grants for firms with growth potential)
5	A (Corporation tax)	15	C (Rising, Absent, Increasing)
6	C (£42bn.)	16	A (A decrease in employment)
7	A (Firms' capacity utilisation)	17	D (positive supply-side shock.)
8	D (Increased expenditure on training and an investment subsidy)	18	C (An increase in the budget surplus and a switch from spending on pensions to spending on new airports)
9	C (the pattern of economic activity has changed.)	19	C (Productivity rising faster than money wages)
10	A (W)	20	A (inflation in other countries.)

Totals

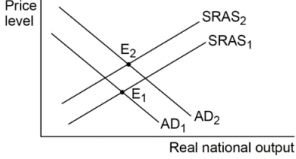
A 6
B 3
C 8
D 3

MARK SCHEME – AS ECONOMICS – 7135/2 – JUNE 2023

SECTION A

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

KEY LIST

1	B (Exports)	11	A (cut government borrowing.)
2	C (Resources are fully employed)	12	B (Real national income increased)
3	D (The value of money rose between 2008 and 2011.)	13	C (government.)
4	C 	14	B (Government grants for firms with growth potential)
5	A (Corporation tax)	15	C (Rising, Absent, Increasing)
6	C (£42bn.)	16	A (A decrease in employment)
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9	C (the pattern of economic activity has changed.)	19	C (Productivity rising faster than money wages)
10	A (W)	20	A (inflation in other countries.)

Totals

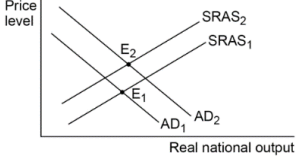
A 6
B 3
C 8
D 3

MARK SCHEME – AS ECONOMICS – 7135/2 – JUNE 2023

SECTION A

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

KEY LIST

1	B (Exports)	11	A (cut government borrowing.)
2	C (Resources are fully employed)	12	B (Real national income increased)
3	D (The value of money rose between 2008 and 2011.)	13	C (government.)
4	C 	14	B (Government grants for firms with growth potential)
5	A (Corporation tax)	15	C (Rising, Absent, Increasing)
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10	A (W)	20	A (inflation in other countries.)

Totals

A 6
B 3
C 8
D 3

MARK SCHEME – AS ECONOMICS – 7135/2 – JUNE 2020

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

MARK SCHEME – AS ECONOMICS – 7135/2 – JUNE 2022

Context 2 GOVERNMENT SPENDING AND TAXATION**Total for this context: 50 marks****2 7** Define 'unemployment rate' **Extract E** (line 18).**[3 marks]**

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

Examples of acceptable definitions worth 3 marks:

- the number of people out of work and actively seeking work, expressed as a percentage of the labour force
- the percentage / proportion of the economically active population who are searching for work but unable to find work.

Examples of a definition worth 2 marks:

- the number of people out of work and actively seeking work
- the number of people out of work and actively seeking work as a % of the population (rather than labour force / work force / economically active)
- the number of people out of work and claiming out-of-work benefits (previously jobseekers allowance).

Examples of a definition worth 1 mark:

- the number of people out of work
- the number of people not in employment.

MAXIMUM FOR QUESTION 27: 3 MARKS

MARK SCHEME – AS ECONOMICS – 7135/2 – JUNE 2019

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

[4 marks]

Award up to 2 marks for each significant point of comparison made.

Response	Max 4 marks
Identifies a significant point of comparison. Makes accurate use of the data to support the point of comparison identified. Unit of measurement given accurately.	2 marks
Identifies a significant point of comparison but only one piece of data is given when two are needed and/or no unit of measurement is given and/or the unit of measurement is inaccurate. OR Identifies a significant feature of one data series with accurate use of the data (including the unit of measurement) but no comparison is made.	1 mark

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

Significant points include:

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

MAXIMUM FOR QUESTION 23: 4 MARKS

MARK SCHEME – AS ECONOMICS – 7135/2 – JUNE 2022

2 5 **Extract B** (line 2) states: ‘...there were signs that economies were in the midst of a global slowdown’.

Explain how a global slowdown can affect employment in the UK.

[10 marks]

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

Relevant issues include:

- meaning of global slowdown/employment/recession
- higher unemployment abroad
- lower incomes/falling demand/falling investment abroad
- fall in demand for UK exports – consumer goods/capital goods/raw materials
- fall in AD/negative multiplier/accelerator effects
- confidence/gloomy expectations
- firms unwilling to invest/fewer jobs created/falling employment
- short-term/long-term effects.

MAXIMUM FOR QUESTION 25: 10 MARKS

MARK SCHEME – AS ECONOMICS – 7135/2 – JUNE 2018

26 *Extract C (lines 5–6) states ‘Some economists believe that a reduction in the level of economic activity and an increase in unemployment are inevitable.’*

Use the extracts and your knowledge of economics to assess the view that when an economy experiences a negative economic shock there will always be a sustained increase in unemployment.

[25 marks]

Areas for discussion include:

- what is meant by an (negative) economic shock/examples of economic shock
- what is meant by unemployment/types of unemployment
- what is meant by ‘inevitable’
- what is meant by sustained increase in unemployment
- arguments to support the view:
 - the impact of an economic shock on the level of economic activity and unemployment
 - the impact of weaker demand conditions
 - the impact of a fall in investment
 - the consequences of inflationary pressure/possible contractionary monetary policy
 - the impact of low confidence and uncertainty
- arguments to dispute the view:
 - the impact of loosening monetary/fiscal policy
 - the impact of sustained consumer confidence and spending
 - the impact of private sector investment
 - the role of markets and adaptability of economic agents in responding to the shock
 - the falling value of the exchange rate
 - the impact of supply-side policies
- the importance of time lags
- the significance of geographical and occupational mobility of labour
- the extent of structural change caused by the shock
- external influences
- the size, nature and duration of shocks, eg a serious financial crisis is likely to have a more damaging long-term effect than other types of shock
- the size of any positive/negative multiplier effects
- the importance of productivity increases
- conflicts with other policy objectives
- ability of the government/central bank to manage the economy
- the use and significance of the data in the extracts.

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

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

MAXIMUM FOR QUESTION 26: 25 MARKS

MARK SCHEME – AS ECONOMICS – 7135/2 – JUNE 2019

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

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

[25 marks]

Areas for discussion include:

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

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

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

MAXIMUM FOR QUESTION 26: 25 MARKS

MARK SCHEME – AS ECONOMICS – 7135/2 – JUNE 2018

SECTION A

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

KEY LIST

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

MARK SCHEME – AS ECONOMICS – 7135/2 – JUNE 2022

Section B

Context 1 ECONOMIC GROWTH

Total for this context: 50 marks

2	1
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 Define 'price stability' **Extract B** (line 3).

[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:

- controlling inflation to achieve a low rate of inflation in line with the government's target of 2%
- when the general level of prices is consistently rising slowly
- allow a definition of absolute price stability, eg achieving a zero annual rate of inflation.

Examples of a definition worth 2 marks:

- when inflation is rising slowly (no indication of a period of time to emphasise 'stability')
- when the general level of prices is rising slowly (as above).

Examples of a definition worth 1 mark:

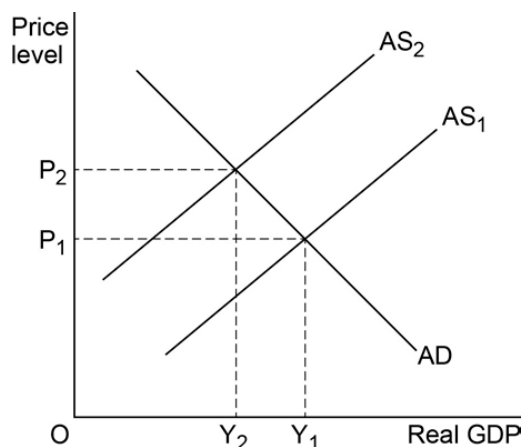
- no inflation
- a general sustained increase in the price level (definition of inflation, with no indication that the increase is low or slow).

MAXIMUM FOR QUESTION 21: 3 MARKS

MARK SCHEME – AS ECONOMICS – 7135/2– JUNE 2017

3 0 *Extract E (lines 1-2) states ‘...the causes included a stronger pound, higher energy prices.’*

Draw an AD/AS diagram to show the impact of higher energy prices on the price level and real output.

[4 marks]

Allow a shift in AS or SRAS but not LRAS

Response	Max 4 marks
Accurately drawn AD/AS diagram showing a leftwards shift in AS, new equilibrium price level and output e.g. P_2Y_2 , with both axis and all curves and coordinates labelled.	4 marks
Accurately drawn AD/AS diagram showing a leftwards shift in AS, with one label missing.	3 marks
Accurately drawn AD/AS diagram showing a leftwards shift in AS, with two or more labels missing.	2 marks
Accurately drawn AD/AS diagram showing an initial equilibrium point with both axes, both original curves and both original coordinates labelled, eg P_1Y_1 .	1 marks

Notes:

Labels refer to axes and / or coordinate labels.

Label of axes can be 'Real GDP', 'Real Output,' 'Output,' 'Y,' 'RNO,' 'NI' and 'National Output.'

Do not reward Quantity or Q.

Label of axes can be 'Price Level,' 'PL,' 'Inflation' and '£'.

Do not reward Price or P.

MAXIMUM FOR QUESTION 30: 4 MARKS

15 of 17

MARK SCHEME – AS ECONOMICS – 7135/2 – JUNE 2020

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 policies
- 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