

**AS
ECONOMICS
7135/2**

Paper 2 The National Economy in a Global Context

Mark scheme

June 2022

Version: 1.0 Final Mark Scheme



Mark schemes are prepared by the Lead Assessment Writer and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation events which all associates participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the students' responses to questions and that every associate understands and applies it in the same correct way. As preparation for standardisation each associate analyses a number of students' scripts. Alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, associates encounter unusual answers which have not been raised they are required to refer these to the Lead Examiner.

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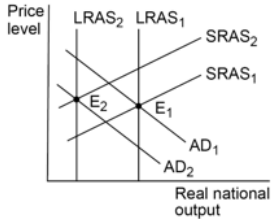
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SECTION A

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

Level of response marking instructions

Level of response mark schemes are broken down into levels, each of which has a descriptor. The descriptor for the level shows the average performance for the level. There are marks in each level.

Before you apply the mark scheme to a student's answer read through the answer and annotate it (as instructed) to show the qualities that are being looked for. You can then apply the mark scheme.

Step 1 Determine a level

Start at the lowest level of the mark scheme and use it as a ladder to see whether the answer meets the descriptor for that level. The descriptor for the level indicates the different qualities that might be seen in the student's answer for that level. If it meets the lowest level then go to the next one and decide if it meets this level, and so on, until you have a match between the level descriptor and the answer. With practice and familiarity you will find that for better answers you will be able to quickly skip through the lower levels of the mark scheme.

When assigning a level you should look at the overall quality of the answer and not look to pick holes in small and specific parts of the answer where the student has not performed quite as well as the rest. If the answer covers different aspects of different levels of the mark scheme you should use a best fit approach for defining the level and then use the variability of the response to help decide the mark within the level, ie if the response is predominantly level 3 with a small amount of level 4 material it would be placed in level 3 but be awarded a mark near the top of the level because of the level 4 content.

Step 2 Determine a mark

Once you have assigned a level you need to decide on the mark. The descriptors on how to allocate marks can help with this. The exemplar materials used during standardisation will help. There will be an answer in the standardising materials which will correspond with each level of the mark scheme. This answer will have been awarded a mark by the Lead Examiner. You can compare the student's answer with the example to determine if it is the same standard, better or worse than the example. You can then use this to allocate a mark for the answer based on the Lead Examiner's mark on the example.

You may well need to read back through the answer as you apply the mark scheme to clarify points and assure yourself that the level and the mark are appropriate.

Indicative content in the mark scheme is provided as a guide for examiners. It is not intended to be exhaustive and you must credit other valid points. Students do not have to cover all of the points mentioned in the Indicative content to reach the highest level of the mark scheme.

An answer which contains nothing of relevance to the question must be awarded no marks.

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

Level of response	Response	Max 25 marks
5	<p>Sound, focused analysis and well-supported evaluation that:</p> <ul style="list-style-type: none"> • is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • includes good application of relevant economic principles to the given context and, where appropriate, good use of data to support the response • includes well-focused analysis with clear, logical chains of reasoning • includes supported evaluation throughout the response and in a final conclusion. 	21–25 marks
4	<p>Sound, focused analysis and some supported evaluation that:</p> <ul style="list-style-type: none"> • is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • includes some good application of relevant economic principles to the given context and, where appropriate, some good use of data to support the response • includes some well-focused analysis with clear, logical chains of reasoning • includes some reasonable, supported evaluation. 	16–20 marks
3	<p>Some reasonable analysis but generally unsupported evaluation that:</p> <ul style="list-style-type: none"> • focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present • includes reasonable application of relevant economic principles to the given context and, where appropriate, some use of data to support the response • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes fairly superficial evaluation; there is likely to be some attempt to make relevant judgements but these are not well-supported by arguments and/or data. 	11–15 marks
2	<p>A fairly weak response with some understanding that:</p> <ul style="list-style-type: none"> • includes some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely • includes some limited, application of relevant economic principles to the given context and/or data to the question • includes some limited analysis but it may lack focus and/or become confused • includes attempted evaluation which is weak and unsupported. 	6–10 marks
1	<p>A very weak response that:</p> <ul style="list-style-type: none"> • includes little relevant knowledge and understanding of economic terminology, concepts and principles • includes application to the given context which, at best, is very weak • includes attempted analysis which is weak and unsupported. 	1–5 marks

Section B

Context 1 ECONOMIC GROWTH

Total for this context: 50 marks

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

[3 marks]

Level of response	Response	Max 3 marks
3	<ul style="list-style-type: none"> • A full and precise definition is given. 	3 marks
2	<ul style="list-style-type: none"> • The substantive content of the definition is correct, but there may be some imprecision or inaccuracy. 	2 marks
1	<ul style="list-style-type: none"> • 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

2 2

If UK GDP was equal to £2073 billion in 2017, use **Extract A** to calculate, to the **nearest billion**, the value of UK GDP in 2018.

[4 marks]

Calculation:

$£2073 \text{ bn} \times 1.014 = £2102.02 \text{ bn} = £2102 \text{ bn}$ to the nearest billion

Response	Max 4 marks
For the correct answer: £2102 billion	4 marks
For an answer not rounded to the nearest billion: eg £2102.02 billion OR For the correct answer without units £ or billion: eg 2102 billion or £2102	3 marks
For the correct answer without units £ and billion: 2102 OR For an answer not rounded to the nearest billion and without £ units: eg 2102.02 billion OR For an answer not rounded to the nearest billion and without billion units: eg £2102.02	2 marks
For identifying the correct method for the calculation: eg 2073×1.014 OR For an answer not rounded to the nearest billion and without units £ and billion: eg 2102.02	1 mark

MAXIMUM FOR QUESTION 22: 4 MARKS

2 3 Use **Extract A** to identify **two** significant points of comparison between the growth rates of the UK and Germany over the period shown.

[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 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 annual % change in real GDP in both countries was higher at the start of the period in 2015 than in 2019. In the UK annual % change in real GDP was 2.4% in 2015, and 1.4% in 2019, whereas in Germany it was 1.7% in 2015 and 0.6% in 2019
- the annual % change in real GDP was higher in the UK than in Germany at the start and end of the period. In the UK annual % change in real GDP was 2.4% in 2015, whereas in Germany it was 1.7%, in 2019, the annual % change in real GDP was 1.4% in the UK, and 0.6% in Germany
- only between the years 2016 to 2018 was the German growth rate higher than the UK. In 2016, the annual % change in real GDP was 1.9% in the UK, and 2.2% in Germany; In 2018, the annual % change in real GDP was 1.4% in the UK, and 1.5% in Germany
- the highest annual % change in real GDP in the UK occurred in 2015 at 2.4%, whereas in Germany it occurred in 2017 at 2.5%
- the lowest annual % change in real GDP occurred in 2018 and 2019 in the UK at 1.4%, and in 2019 in Germany at 0.6%
- the annual % change in real GDP in Germany had a greater range than in the UK, with a range of 1.9 % points, for Germany, and a smaller range of 1% point.

MAXIMUM FOR QUESTION 23: 4 MARKS

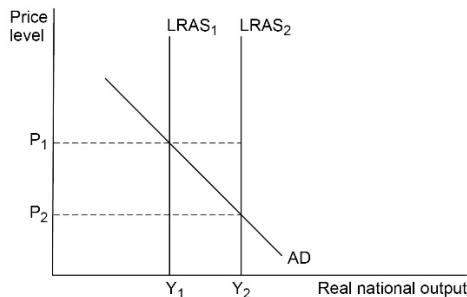
2 4

Extract C (lines 16–17) states: ‘An increase in the funds available for education and training should help to improve factor mobility’.

Draw an AD/AS diagram to show the long-run impact of improved factor mobility on the price level and national income.

[4 marks]

The correct diagram involves an AD/AS diagram illustrating a shift to the right of the LRAS curve. It is not necessary to include the SRAS curve. The use of the Keynesian model is acceptable and should be rewarded.



Response	Max 4 marks
Accurately drawn AD/AS diagram showing the initial equilibrium level of output and price level, a rightwards shift in the LRAS curve, an increase in real national output, and a lower equilibrium price level with both axes and all curves and coordinates correctly labelled.	4 marks
Accurately drawn AD/AS diagram showing the initial equilibrium level of output and price level, a rightwards shift in the LRAS curve, an increase in real national output, and a lower equilibrium price level, with one label missing or incorrect (axis or curve). OR Accurately drawn AD/AS diagram showing the initial equilibrium level of output and price level, a rightwards shift in the LRAS curve, an increase in real national output, and a lower equilibrium price level, with one coordinate missing or incorrect (Y ₁ or Y ₂ / P ₁ or P ₂).	3 marks
Accurately drawn AD/AS diagram showing the initial equilibrium level of output and price level, a rightwards shift in the LRAS curve, an increase in real national output, and a lower equilibrium price level, with two or more labels missing or incorrect.	2 marks
Accurately drawn AD/AS diagram showing the initial equilibrium level of output and price level, with both axes, both original curves and coordinates correctly labelled.	1 mark

Labels refer to axes and/or coordinate labels.

Label of x axis can be ‘Real GDP’, ‘Real Output,’ ‘Output,’ ‘Y,’ ‘RNO,’ ‘NI’ and ‘National Output.’ Do not reward Quantity or Q.

Label of y axis can be ‘Price Level,’ ‘PL,’ ‘Inflation’ and ‘£’. Do not reward Price or P.

MAXIMUM FOR QUESTION 24: 4 MARKS

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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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

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

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	<ul style="list-style-type: none"> A full and precise definition is given. 	3 marks
2	<ul style="list-style-type: none"> The substantive content of the definition is correct, but there may be some imprecision or inaccuracy. 	2 marks
1	<ul style="list-style-type: none"> 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

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]

Calculation:

$$£275/(17+18) \times 100 = 275/35 \times 100 = £785.714286 \text{ bn} = £786 \text{ bn to the nearest billion}$$

Response	Max 4 marks
For the correct answer: £786 bn	4 marks
For an answer not rounded to the nearest billion: eg £785.71 billion or £785 billion OR For the correct answer without units £ or billion: eg 786 billion or £786	3 marks
For the correct answer without units £ and billion: 786 OR For an answer not rounded to the nearest billion and without £ units: eg 785.71 billion OR For an answer not rounded to the nearest billion and without billion units: eg £785.71	2 marks
For identifying the correct method for the calculation: eg $275/(17+18) \times 100$ OR For an answer not rounded to the nearest billion and without units £ and billion: eg 785.71	1 mark

MAXIMUM FOR QUESTION 28: 4 MARKS

2 9

Use **Extract D** to identify **two** significant points of comparison regarding the composition of government spending between 1997–98 and 2018–19.

[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 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:

- social security spending as a whole accounted for the greatest proportion of government spending in both 1997-98, with a share of 37%, and 2018-19, with a share of 35%
- of the areas of spending shown, old-age-related spending, health spending and education spending have increased as a proportion of government spending, old-age related spending increased from 14% in 1997-98 to 17% in 2018-19, health spending increased from 14% in 1997-98 to 20% in 2018-19 and education spending increased from 12% in 1997-98 to 13% in 2018-19
- of the areas of spending shown, debt interest accounted for the lowest proportion of government spending in both 1997-98, with a share of 9%, and 2018-19, with a share of 5%
- within social security spending as a whole, old-age-related spending increased by 3% points, from 14% in 1997-98 to 17% in 2018-19, whereas other social security spending fell by 5% points from 23% in 1997-98 to 18% in 2018-19
- Only other spending as a proportion of government spending was the same at the start of the period in 1997-98 at 27%, as it was at the end, in 2018-19
- of the areas of spending shown, education spending as a proportion of government spending changed by the smallest amount, by 1% point, from 12% in 1997-98 to 13% in 2018-19.

MAXIMUM FOR QUESTION 29: 4 MARKS

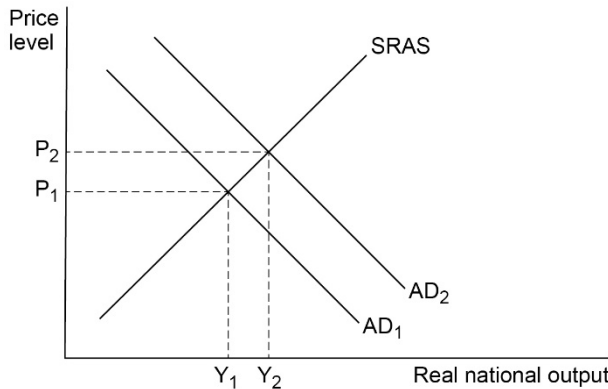
3 0

Extract E (line 15) states: ‘Government spending acts as an injection into the circular flow of income’.

Draw an AD/AS diagram to show the effect of an increase in injections on the price level and national income.

[4 marks]

The correct diagram involves an AD/AS diagram illustrating a shift to the right in the AD curve.



Response	Max 4 marks
Accurately drawn AD/AS diagram showing the initial equilibrium level of output and price level, a rightwards shift in the AD curve, an increase in real national output, and a higher equilibrium price level with both axes and all curves and coordinates correctly labelled.	4 marks
Accurately drawn AD/AS diagram showing the initial equilibrium level of output and price level, a rightwards shift in the AD curve, an increase in real national output, and a higher equilibrium price level, with one label missing or incorrect (axis or curve). OR Accurately drawn AD/AS diagram showing the initial equilibrium level of output and price level, a rightwards shift in the AD curve, an increase in real national output, and a higher equilibrium price level, with one coordinate missing or incorrect (Y_1 or Y_2 / P_1 or P_2).	3 marks
Accurately drawn AD/AS diagram showing the initial equilibrium level of output and price level, a rightwards shift in the AD curve, an increase in real national output, and a higher equilibrium price level, with two or more labels missing or incorrect.	2 marks
Accurately drawn AD/AS diagram showing the initial equilibrium level of output and price level, with both axes, both original curves and coordinate correctly labelled.	1 mark

Labels refer to axes and/or coordinate labels.

Label of x axis can be ‘Real GDP’, ‘Real Output,’ ‘Output,’ ‘Y,’ ‘RNO,’ ‘NI’ and ‘National Output.’ Do not reward Quantity or Q.

Label of y axis can be ‘Price Level,’ ‘PL,’ ‘Inflation’ and ‘£’. Do not reward Price or P.

MAXIMUM FOR QUESTION 30: 4 MARKS

3 1

Extract F (lines 1–2 and 8) states: ‘As part of fiscal policy, government spending can be used to allocate resources to different regions and sectors of the economy and consequently, change the pattern of economic activity... Taxation also has a role to play in affecting the pattern of activity’.

Explain ways in which a government can use fiscal policy to affect the **pattern** of economic activity.

[10 marks]

Level of response	An answer that:	Max 10 marks
Level 3	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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 fiscal policy/government spending/taxation
- the pattern of economic activity – some areas of the economy will expand others may contract
- direct impact of government spending - if, for example, the government spends more on the NHS more factors of production will be devoted to providing health care
- subsidies – for example, in the context of regional policy/renewable energy/the development of new technologies
- direct taxation – for example, its role in the creation of incentives to carry out R and D/innovation
- indirect taxation – for example, used to discourage the consumption of demerit goods.

MAXIMUM FOR QUESTION 31: 10 MARKS

3 2 **Extract E** (lines 4–6) states: ‘...the report suggested that significant increases in spending would be required to help improve the wellbeing of the UK population’.

Use the extracts and your knowledge of economics to assess the view that a long-term, significant increase in government spending would be beneficial for the UK economy.

[25 marks]

Areas for discussion include:

- government spending/fiscal policy
- ‘wellbeing of the UK population’
- beneficial to the ‘UK economy’/macroeconomic policy objectives
- impact on economic growth
- impact on unemployment/employment
- impact on inflation
- impact on the balance of payments current account
- consideration of the extent of spare capacity
- consideration of ‘where’ the money is spent, for example, energy improvements/arts industry
- demand-side versus supply-side influence
- consideration of ‘significant increase’
- impact on investment
- multiplier/accelerator effects
- consideration of the budget deficit/national debt
- consideration of possible increases in taxation
- consideration of the economic cycle
- the importance of confidence/uncertainty
- the importance of external influences.

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