



AQA - A Level Economics

The national and international economy

11.2 Economic performance

Worked Examples

Contents

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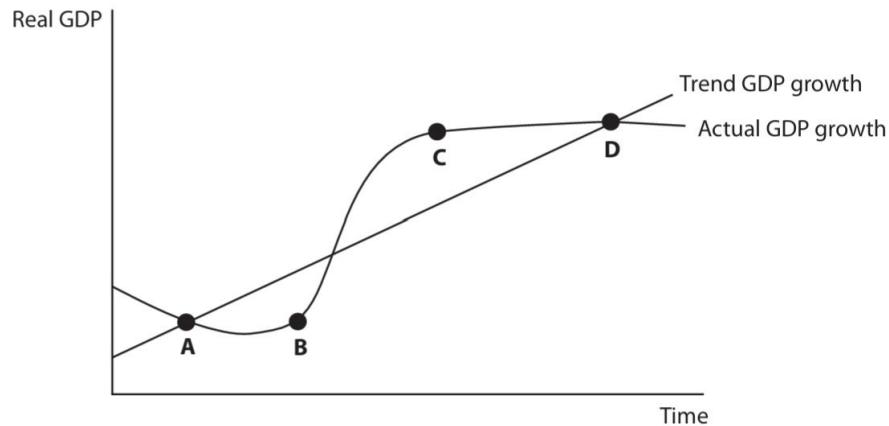
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- Economic performance

11. Economic performance

Exam Style Question 1

- (a) Define the term 'recession'? [1]
- (b) Explain one characteristic of a recession. [2]
- (c) Which point on trade cycle diagram illustrates a negative output gap? [1]



- ☐ A
- ☐ B
- ☐ C
- ☐ D



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Exam Style Question 1

Answer:

(a) Define the term 'recession':

A **recession** is a period of economic decline, typically marked by a decrease in the real GDP of a country for at least two consecutive quarters (6 months). [1]

(b) Explain one characteristic of a recession:

One characteristic of a **recession** is a **decrease in consumer spending**. [1] During a recession, people often feel less confident about their financial future and may reduce their spending on goods and services. This decline in demand can lead to lower business profits, higher unemployment, and further economic contraction. [1]

(c) Which point on the trade cycle diagram illustrates a negative output gap?

Answer: B [1]

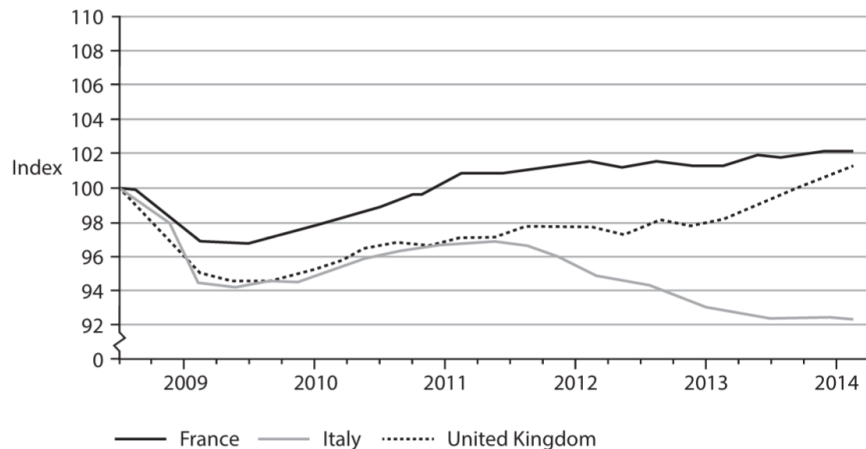
Option A and D: Incorrect. It shows actual GDP growth on Trend GDP growth, therefore no output gap.

Option C: Incorrect. It shows actual GDP growth above trend GDP growth, therefore positive output gap.

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Exam Style Question 2

Real GDP in selected economics (the base year 2008=100)



(Source: <http://www.ons.gov.uk/ons/rel/elmr/gdp-and-the-labour-market/q1-2014-may-gdp-update/sty-gdp-g7-economies.html?format=print>)

(a) Which **one** of the following can be inferred from the chart? [1]

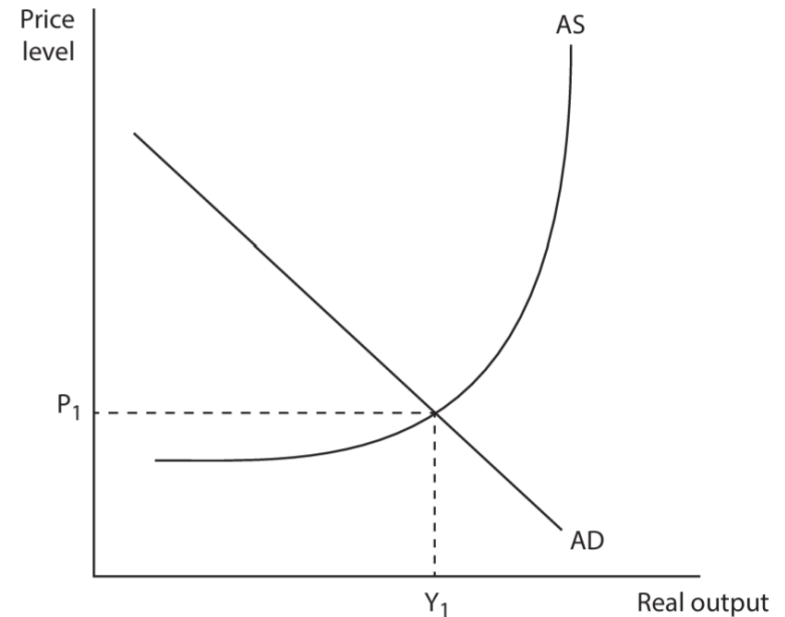
- ☐ A The UK's real GDP is smaller in 2014 than it was in 2008
- ☐ B Between 2008 and 2014 France's real GDP growth rate was higher
- ☐ C Between 2008 and 2014 inflation was lower in France than in the UK
- ☐ D France experienced a greater fall in real GDP than the UK in 2014

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Exam Style Question 2

(b) Define the term 'real GDP'? [1]

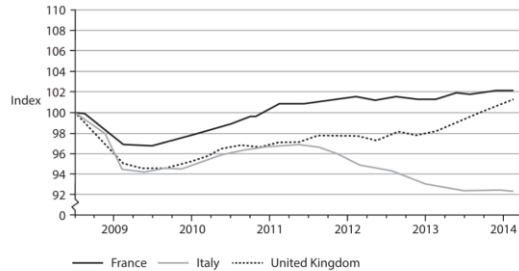
(c) Illustrate a negative output gap on the diagram below. [1]



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Exam Style Question 2

Real GDP in selected economies (the base year 2008=100)

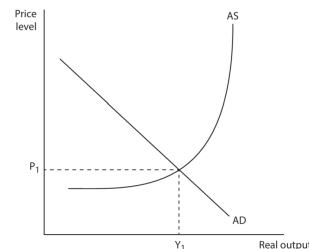


(a) Which **one** of the following can be inferred from the chart? [1]

- ☐ A The UK's real GDP is smaller in 2014 than it was in 2008
- ☐ B Between 2008 and 2014 France's real GDP growth rate was higher
- ☐ C Between 2008 and 2014 inflation was lower in France than in the UK
- ☐ D France experienced a greater fall in real GDP than the UK in 2014

(b) Define the term 'real GDP'? [1]

(c) Illustrate a negative output gap on the diagram below. [1]



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Exam Style Question 2

Answer:

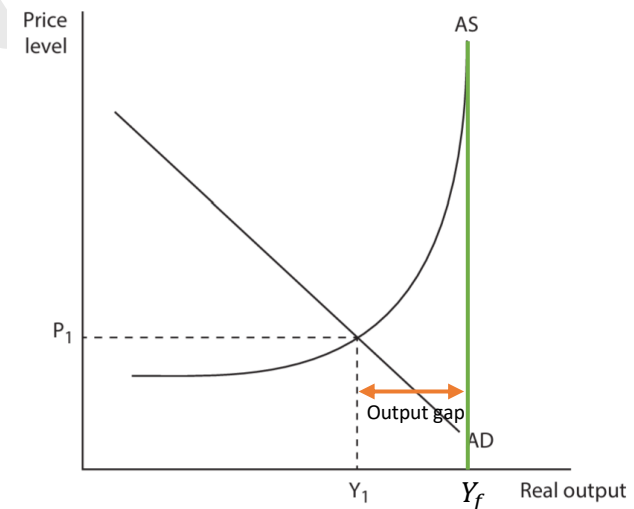
(a) Which one of the following can be inferred from the chart?

✓ **Answer: B** – Between 2008 and 2014, France's real GDP growth rate was higher than Italy's. [1]

(b) Explain the term "real GDP".

Real gross domestic product (real GDP) refers to the total value of all goods and services produced in a country (total output of the economy), adjusted for inflation. [2]

(c) Which point on the trade cycle diagram illustrates a negative output gap? [1]



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Exam Style Question 3

Which **one** of the following is an example of a market-based supply-side policy? [1]

- ☐ A A reduction in unemployment benefits
- ☐ B Construction of new transportation links
- ☐ C Government-funded apprenticeship schemes
- ☐ D Increased government spending on healthcare

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Exam Style Question 3

Answer:

☒ **Answer: A** – A reduction in unemployment benefits

Option B, C and D: Incorrect as they are all interventionist supply-side policy.

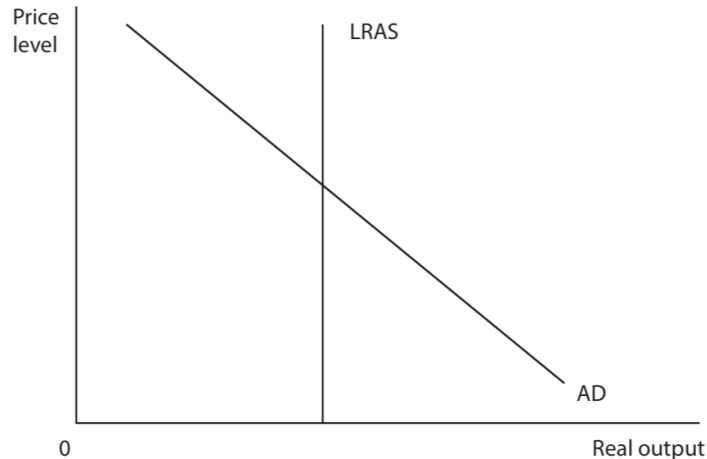
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Exam Style Question 4

The diagram below shows the AD and a possible long-run LRAS for the UK.



- (a) Annotate the diagram above to show the likely impact of government policy to promote business competition on the equilibrium level of real output and price level. [2]
- (b) Which **one** of the following is an interventionist supply-side policy? [1]

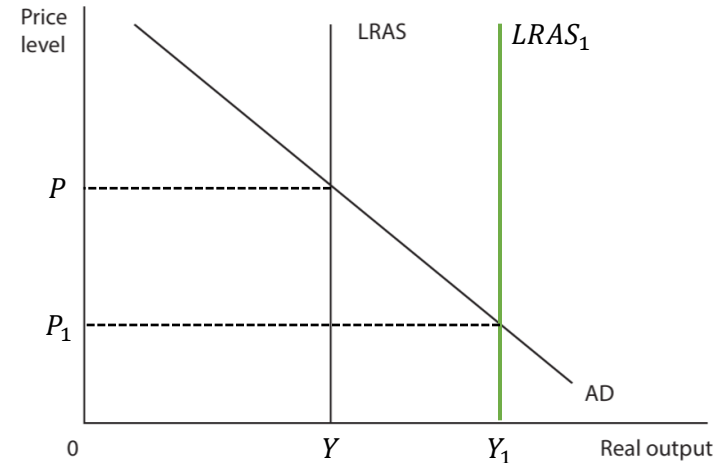
- ☐ A An improvement in infrastructure
- ☐ B An increase in indirect taxation
- ☐ C An increase in interest rates
- ☐ D An increase in the regulation of markets

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Exam Style Question 4

Answer:

(a) Annotate the diagram... [2]



(b) Which one of the following is an interventionist supply-side policy?

☒ **Answer: A** – An improvement in infrastructure. [1]

Option B: Incorrect as an increase in indirect taxation is an example of contractionary fiscal policy.

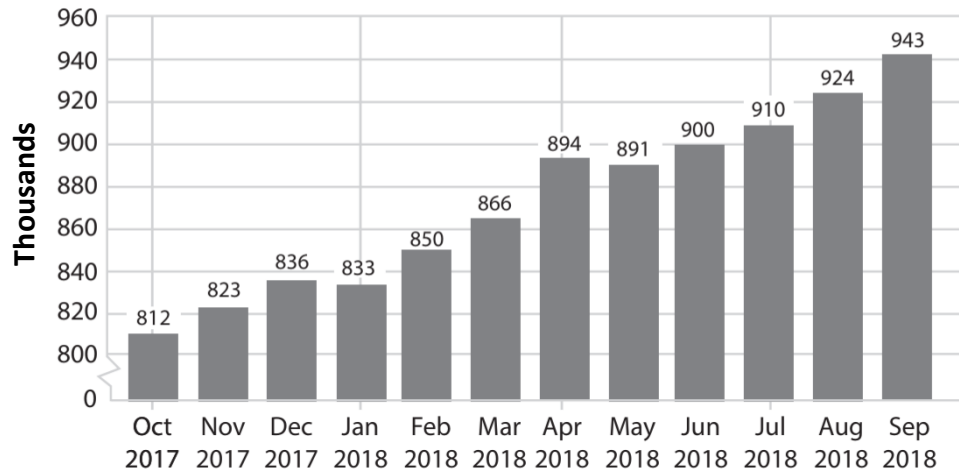
Option C: Incorrect as an increase in interest rate is an example of contractionary monetary policy.

Option D: Incorrect as an increase in the regulation of markets is example of market-based supply side policy.

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Exam Style Question 5

Number of unemployed person, UK, as measured by the claimant count, thousands



(Source: <https://tradingeconomics.com/united-kingdom/unemployed-persons>)

- (a) Calculate the percentage change in the number of UK unemployment persons between April and July 2018. You are advised to show your working. [2]

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Exam Style Question 5

(b) Explain **one** likely reason for the increase in the number of people unemployed in the UK over the time period shown. [2]

(c) Which **one** of the following types of unemployment is most likely to be caused by a technological change in an industry? [1]

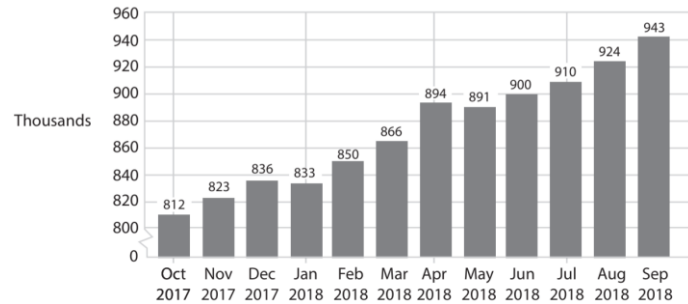
- ☐ A Cyclical
- ☐ B Real wage
- ☐ C Seasonal
- ☐ D Structural



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Exam Style Question 5

Number of unemployed person, UK, as measured by the claimant count, thousands



(Source: <https://tradingeconomics.com/united-kingdom/unemployed-persons>)

- (a) Calculate the percentage change in the number of UK unemployment persons between April and July 2018. You are advised to show your working. [2]
- (b) Explain **one** likely reason for the increase in the number of people unemployed in the UK over the time period shown. [2]
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- ☐ A Cyclical
 - ☐ B Real wage
 - ☐ C Seasonal
 - ☐ D Structural

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Exam Style Question 5

Answer:

- (a) Calculate the percentage change in the number of UK unemployed persons between April and July 2018.

To calculate the percentage change:

1. Initial value (April 2018): 894,000
2. Final value (July 2018): 910,000
3. Formula for percentage change:

$$\% \text{ change} = \left(\frac{\text{Final value} - \text{Initial value}}{\text{Initial value}} \right) \times 100$$

Substituting the values:

$$\% \text{ change} = \left(\frac{910,000 - 894,000}{894,000} \right) \times 100 \approx 1.79\%$$

Answer: The percentage change is approximately **1.79%**. [2]

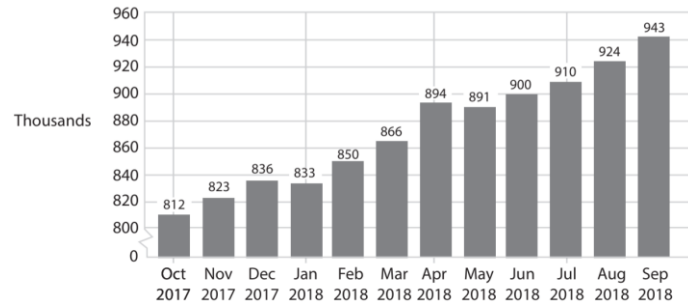
- (b) Explain **one** likely reason for the increase in the number of people unemployed in the UK over the time period shown.

Unemployment could rise due to **cyclical unemployment**, which happens when there is a slowdown in the economy (slower economic growth). [1] For example, if businesses experience lower demand for goods and services, they may cut costs by reducing their workforce. [1]

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Exam Style Question 5

Number of unemployed person, UK, as measured by the claimant count, thousands



(Source: <https://tradingeconomics.com/united-kingdom/unemployed-persons>)

- (a) Calculate the percentage change in the number of UK unemployment persons between April and July 2018. You are advised to show your working. [2]
- (b) Explain **one** likely reason for the increase in the number of people unemployed in the UK over the time period shown. [2]
- (c) Which **one** of the following types of unemployment is most likely to be caused by a technological change in an industry? [1]
- ☐ A Cyclical
 - ☐ B Real wage
 - ☐ C Seasonal
 - ☐ D Structural

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Exam Style Question 5

Answer:

(c) Which one of the following types of unemployment is most likely to be caused by a technological change in an industry?

Answer: D - Structural unemployment [1]

Structural unemployment occurs when technological advancements make certain jobs or skills obsolete. For instance, the introduction of automation in manufacturing might replace workers with machines, leaving those workers unemployed unless they retrain for new roles.

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Exam Style Question 6

UK employment rate as a % of all those economically active, seasonally adjusted, from 2008 to 2018



(Source: adapted from <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/unemployment/timeseries/mgsx> Crown Copyright)

- (a) With reference to the chart above, explain **one** likely economic effect of the change in the UK unemployment rate between 2012 and 2018. [3]
- (b) Which **one** of the following policies is most likely to reduce the unemployment rate in the UK? [1]
- ☐ A A decrease in direct taxes on company profits
 - ☐ B A decrease in quantitative easing
 - ☐ C An increase in government payments to the unemployed
 - ☐ D An increase in the UK base interest rate

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Exam Style Question 6

Answer:

(a) Explain one likely economic effect of the change in the UK unemployment rate between 2012 and 2018

Between 2012 and 2018, the UK unemployment rate fell significantly. [1] One key economic effect of this decline could be **increased consumer spending due to increase in disposable income**. [1] As more people gain employment, they have more income to spend on goods and services. This boosts demand in the economy, encouraging businesses to produce more and potentially hire even more workers. [1] It's like a positive cycle where employment bring about more economic activity.

(b) Which one of the following policies is most likely to reduce the unemployment rate in the UK.

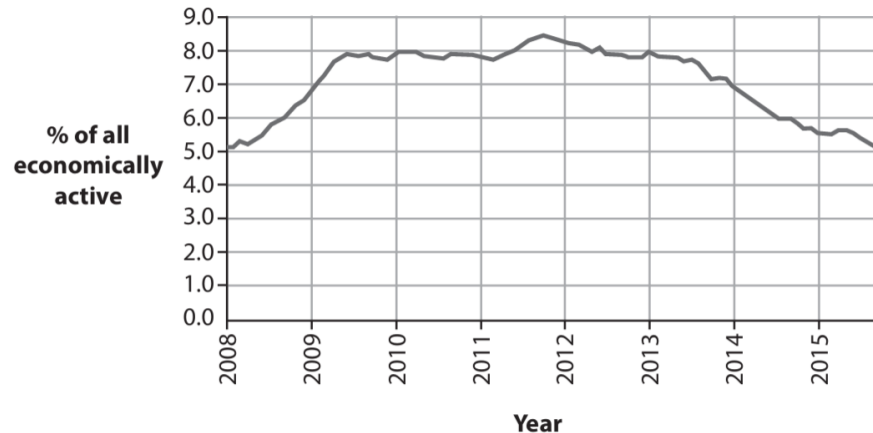
Answer: A – A decrease in direct taxes on company profits [1]

Explanation: When businesses pay less tax on their profits, they have more money to invest in growth. This could mean expanding operations or hiring new staff. Lower taxes incentivise businesses to increase production and, in turn, create jobs.

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Exam Style Question 7

The chart below shows the UK unemployment rate, seasonally adjusted, from 2008 to 2015



(Source: <http://www.ons.gov.uk/ons/rel/lms/labour-market-statistics/december-2015/statistical-bulletin.html#tab-8--Unemployment>)

Which **one** of the following types of unemployment best explains the change in the data between 2008 and 2010? [1]

- ☐ A Cyclical
- ☐ B Frictional
- ☐ C Seasonal
- ☐ D Voluntary



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Exam Style Question 7

Answer:

The correct answer is **A: Cyclical unemployment**. [1]

Explanation: Between 2008 and 2010, the global economy experienced a massive financial crisis (the Great Recession). During this time, demand for goods and services dropped sharply because people and businesses were spending less. This led to what's called **cyclical unemployment**, which happens when there's not enough demand in the economy to keep everyone employed.

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Exam Style Question 8

The table below shows claimant count data for the UK.

	Number of Claimants
August 2014	961 149
September 2014	923 240
October 2014	887 771
November 2014	848 085
December 2014	823 880
January 2015	852 934
February 2015	858 344

- (a) Define the term 'claimant count'. [1]
- (b) Calculate the percentage change in the claimant count from August 2014 to February 2015. [2]
- (c) Which **one** of the following is likely to cause a reduction in the claimant count? [1]
- ☐ A An increase in the weekly payment for claimants
- ☐ B A compulsory weekly interview for every claimant
- ☐ C An increase in the size of the workforce
- ☐ D A fall in employment

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Exam Style Question 8

Answer:

(a) Define the term 'claimant count'.

The **claimant count** measures the number of people claiming unemployment-related benefits, such as Jobseeker's Allowance (JSA). [1]

(b) Calculate the percentage change in the claimant count from August 2014 to February 2015.

To calculate the percentage change:

$$\% \text{ change} = \frac{\text{New value} - \text{Old value}}{\text{Old value}} \times 100$$

- Old value (Aug 2014): 961,149
- New value (Feb 2015): 858,344

$$\% \text{ change} = \frac{858,344 - 961,149}{961,149} \times 100 \approx -10.7\% \text{ [1]}$$

So, the claimant count fell by 10.7% between Aug 2014 and Feb 2015. [1]

(c) Which **one** of the following is likely to cause a reduction in the claimant count?

The correct answer is **B**. [1]

Why? A weekly interview requirement might discourage some people from continuing their claims if they're not seriously looking for work. It can reduce the claimant count by filtering out those who aren't actively job hunting.

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