

# **Edexcel (A) Economics A-level**

Exam technique: Essay skills

Your exam answers are marked using KAAE (Knowledge, Application, Analysis and Evaluation). It is important to understand and to master all these skills in order to do well in the exam. A good economics paragraph will include all four skills (except in questions which don't require evaluation).

## Knowledge:

Out of all the skills required for the exam, this is the simplest. Use **definitions, diagrams, models and theories** to prove to the examiner that you have an **understanding of the economics syllabus** and you are able to use this to answer the question. It is important to answer questions from an **economics perspective**, using key terms and economic points, rather than from a general knowledge perspective.

## Application:

For the majority of the exam, all the application you need will be found within the **case studies and extracts**. These are data response questions and so require **consistent application** to the case studies. A question that begins 'With reference to...' means that explicit references are needed, otherwise you just need to apply to the context but explicit references can still be used. Being able to use your own application points and context will help you to stand out and achieve top marks.

For the Section C of Paper 1 and 2, there is no extract to use for application and therefore you need to have **own knowledge** to refer to. For microeconomics, it is important to have **examples for the majority of the specification** and have some basic knowledge of these examples. This can include different types of businesses, different types of market structures, different policies implemented by governments and their effects, different events that have occurred etc. For macroeconomics, it is important to have an **awareness of the UK economy** and recent events which can be used to apply your answers in the case of the UK. It is also important to have an awareness about **current policies** in place, some **global issues** and actions taken in other countries. Within development economics, you must be able to apply answers to **developing countries**. The detailed notes on this website aim to provide application points throughout but it is good to do your own research to find examples and stay on top of the news.

## Analysis:

To analyse means to thoroughly explain the links of how one thing leads onto another. The key here is **logical chains of reasoning** where you explain how one thing causes another which causes another and so on. You **explain in detail** how one action has a particular consequence through a number of steps, ensuring that no step has been missed out. A good way to do this is to assume your examiner knows nothing about economics and so you must explain every detail to them.

For example: A rise in income tax will lead to a fall in the disposable income of consumers. This will lead to a fall in consumption since consumers have less income available to spend, which will result in a fall in AD as consumption is one component of AD.

**Diagrams** are often helpful in analysis as they show clearly how a rise in demand leads to higher prices, for example.

When revising, it is important to learn these chains of reasoning. For example, instead of learning a long list of factors which cause growth, learn how the steps for how the most important factors cause growth. Long answer questions do not require a large number of points; they require a few points explained thoroughly.

## Evaluation:

### There are a number of different ways to evaluate:

- Weigh up or prioritise points- come to a **judgement**: Which is most important? Which is the best way? Which side do you fall on? Real world examples and context can be brought in to strengthen an argument. The highest mark questions require judgements.
- Consider the **long run and short run impacts**: Some actions have a time lag, elasticity can change over time, AS is different, some actions make little difference in the long run etc.

For example: In the short run, the rise in indirect taxes on cigarettes may have little impact on the number sold due to the inelastic nature of the good. However, in the long run, the government can use the revenues generated to increase education about smoking and to help those who are addicted to come off the product. This will mean the good becomes more elastic and so the tax will become more effective in reducing output of cigarettes.

- Explain what the effects **depend on**: the multiplier, the elasticities, the reaction of businesses, the country, the market and market conditions etc., the size of the shift, other variables

For example: The impact of a monopoly will depend on whether the market is contestable. If the market is contestable, this means that the firm will be forced to stay efficient to prevent new firms from entering. They may use limit pricing, which benefits consumers. However, if the market is not contestable, the monopoly will have no incentive to keep costs low or to provide a good service. This is likely to lead to X-inefficiency which is bad for the economy and leads to higher prices for consumers. Therefore, as long as a market is contestable, the existence of a monopolist is not always a bad thing and in some cases it can be good. Some economists suggest that the threat of competition is more important than competition itself.

- Questions the **assumptions** made: rationality, 'ceteris paribus', perfect information etc. Do they hold in real life? Is there evidence of the assumption not holding or holding? Does the assumption made depend on something else? Will it hold in some places and not others? This is particularly effective with models, such as the Lewis 2 sector model, comparative advantage or perfect competition.

For example: When the government reduces income tax, this should lead to an increase in AD. However, this assumes that consumers will spend the increase in their disposable income. This is not necessarily the case since if consumer confidence is low, consumers would prefer to save their income to protect them in the future. Therefore, a fall in income taxes may not lead to an increase in AD.

- Consider the impact on **key stakeholders**: the government, consumers, businesses, the economy, the environment, future generations. Who are the winners and losers? Does this impact the decisions that are made? Is the impact on one more significant than another? This can work in a number of ways, for example different paragraphs could look at impacts on different stakeholders or the impacts could be used to bring together a final judgement.

For example: Whilst the introduction of a carbon tax would lead to higher costs for businesses and higher prices for consumers, it would benefit the environment and future generations. Considering the huge negatives of climate change, the carbon tax would be important in helping to improve the environment and so is a beneficial thing to introduce on the whole.

Some questions offer a **two-sided debate** and thus evaluation will be looking at both sides of the judgement, offering factors the outcome depends on and reaching a conclusion. Others will ask you to look at the **impacts** of an event or the **causes** of it. Therefore, evaluation is different for different types of questions. When revising, it is good to learn evaluative points like the positives and negatives, the assumptions made or factors the outcome depends on.

The best evaluation is evaluation that is **applied** in the context of the question, and this requires practice. It is best to evaluate **throughout the question**, rather than leaving it till the end. Evaluation needs to be **in detail**, going through each step of the evaluation like you would with analysis. It is not enough to say that the effect depends on the multiplier, go through the steps to explain how it depends on the multiplier.

**Diagrams** are also useful to help in evaluation, for example by comparing the effects on a Keynesian curve and a classical curve or comparing the effects of a subsidy on an elastic and inelastic curve. They can help to explain evaluation points.

## Judgements:

In order to gain top marks in the 15 and 25 markers of your A2 papers, it is essential to come to a "substantiated" "informed judgement". This means **answering the question directly** and effectively and **justifying your answer**. Therefore, judgements will be very different for different types of questions. However, a good judgement will consist of:

- **Weigh up your points** and focus on the arguments at the heart of the debate

For example: Overall, the sugar tax should be introduced. Although it may have some negative impacts on firms profits, this argument is greatly outweighed by the obesity crisis in the country. It is far more important to protect consumers and keep them healthy than to be concerned by the small fall in profits for firms who sell unhealthy goods. Sugar has a negative externality and so it is the government's job to intervene and solve the market failure.

- **Provide balance** as nothing is ever perfect or guaranteed in economics: Does it depend on consumers acting in a particular way? Should the government use other policies alongside it? Could government action reduce the impact? Are there more effective options which aren't feasible? Your answer does not have to be a simple yes or no or 'this is the most important...', provide an answer but show you have an understanding that this depends on other factors and may be different in different circumstances

For example: Monopolies can have positive impacts for consumers, due to their increased innovation and the economies of scale they benefit from which allows for lower prices. However, it is important that the government intervenes in the case of monopolists who exploit their position. Regulation can maximise the benefits from monopolies whilst reducing the costs, such as higher prices and poorer quality service.

- Consider **long and short run**: Are the effects different in the short and long run? Is the event only a problem in the long run? Or only a good thing in the long run? Is one policy better in the short run and another in the long run? Again, your answer doesn't have to be definitive and the answer for the short term may be very different for that in the long term.

For example: In the short run, the government should react to a financial crisis by a mixture of monetary and fiscal policy to increase AD and prevent high levels of unemployment. However, in the long term, financial regulation is essential to ensure that a similar crisis does not happen again.

- **Examples/evidence** to make the case: Do you know a real life example where the policy has been effective, or where something has had a certain effect?

For example: I believe the best way for the UK to reduce the national debt is to increase taxes. This is because the policy of austerity has been followed for many years and it is becoming increasingly unpopular and is having negative impacts on government services, such as healthcare. This is reducing the standard of living, particularly for those who most need government support. An increase in tax will also help to tackle issues of inequality, which is a major issue in the UK as 1 in 5 people live in relative poverty.

There are **no wrong answers**, as long as your opinion is backed up by relevant economic points then it is correct. The aim is to convince the examiner of your point of view.