

## Revision Worksheet

# **A2 Economics**

# **Essay Questions**

Worksheet by: Apsara Sumanasiri

Student Name : .....

Date: .....

TheRevisionGuide® ([www.TheRevisionGuide.com](http://www.TheRevisionGuide.com)) is a free online resource for Economics and Business Studies.

Don't forget to visit our website as part of your revision.

## May 2003 Q1

- (a) Britain had a deficit in its trade in goods balance of £34bn in 2002. Examine the likely causes of this deficit. **[40]**
- (b) Evaluate measures which could be pursued by individual firms and by the government to improve the competitiveness of British goods **[60]**

*[Write your answer plan in this space before looking at the answer guide]*

**Qu.1 (a) Britain had a deficit in its trade in goods balance of £34bn in 2002.**

**Examine the likely causes of this deficit.**

**LEVEL 5**

**28-40 marks**

Candidates may consider both price, non-price factors and state of the economy.

**Lack of price competitiveness might be caused by:**

- Low productivity relative to other countries
- Relatively high inflation (but not really true now)
- High value of £ relative to other currencies
- Relatively high costs e.g. wages; non-wage costs such as employers' National Insurance contributions and the need to meet health and safety regulations

**Non-price factors include:**

- Poor design
- Low quality
- Lack of availability
- Poor reliability
- Poor after sales service

**State of the economy:**

- If aggregate demand is increasing then imports will be increasing
- If the world economy is in recession then UK exports may be falling.
- The impact of 9/11.

**Evaluation points** could include:

- Candidates may recognise the significance of low productivity
- Impact of high value of the £ depends on PED for imports and exports
- UK has a high marginal propensity to import. Therefore, the state of the UK economy might be a significant factor i.e. higher demand for imports when economy is doing well.

For a L5 mark: 3 factors and at least one evaluation point.

Max 28 marks if no evaluation.

Award a L4 mark (24-27 marks) if only 2 factors + evaluation

Award a L2 mark (16-19 marks) for identification of points only or for narrow response focussing on one point.

**(b) Evaluate measures which could be pursued by both individual firms and by the government to improve the competitiveness of British goods.**

**Level 5**

**42- 60 marks**

**Policies by firms:**

- Improvement in quality of goods (moving upmarket)
- Increase productivity
- Rationalisation
- Relocate component production abroad
- Source raw materials from overseas
- Improves overseas promotion e.g. trade fairs

**Evaluation points could include:**

- Costs of new machinery
- Costs of redundancy programmes and relocation
- Significance of price elasticity of demand could be considered

**Policies by the government:**

Emphasis likely to be on supply side policies e.g.

- Education and training
- Privatisation
- Tax breaks for investment and R&D
- Measures to increase labour flexibility
- Reductions in unemployment benefits
- Reduction in top rates of income and corporation tax
- Awards e.g. for exports

Only credit discussion of tariffs etc if rejected as unrealistic.

Also, discussion of reduction in value of £ must be treated with caution

**Other evaluation points could include:**

- Take a long time to have an effect e.g. education & training
- Increases inequality (cutting benefits and income tax rates)

For a L5 mark: Discussion of 4 points (at least 1 for firms & 1 for government) and any 2 evaluation points.

Max 42 marks if no evaluation

Award a L4 mark (36-41 marks) if only 3 points + evaluation

OR if only firms or government measures discussed

Award a L2 mark (24-29 marks) for identification of points only or for narrow response focussing on one or two points.