

Revision Worksheet

A2 Economics

Essay Questions

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JUNE 2002 Question 2

- (a) Examine the impact of falling oil prices on the economies of the European Union. **[40]**
- (b) Evaluation the potential cost and benefits to the UK economy of a decision by its government to adopt the euro. **[60]**

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

Question	Scheme	Mark
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2
Examine the impact of falling oil prices on the economies of the European Union.

VEL 5 (28-40 marks)

Points include:

- Lower import costs: improvements in Balance of Payments on current account (with possible exception of UK)
- Also, increased exports to oil importing countries
- Lower rate of inflation because lower costs e.g. transport
- Positive effect on GDP
- Reduction in unemployment rates
- Might cause value of euro to rise if European economies become stronger
- Impact on AS
- Impact on AD
- Increased external costs

Evaluation points could include: consideration of magnitude of effects; difference between short run and long run effects; the differing impact of different countries within the EU

For a L5 mark: 3 factors and evaluation of their significance.

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 or two points.

40

Question	Scheme	Mark
(b) Evaluate the potential costs and benefits to the UK economy of a decision by its government to adopt the euro.		(42-60 marks)

LEVEL 5

Costs include:

- *Loss of independent monetary policy*
- *No possibility of exchange rate adjustment if UK's goods are uncompetitive*
- *Transition costs*

Benefits include:

- *Elimination of transactions costs*
- *Price transparency*
- *Absence of exchange rate fluctuations*

Evaluation: must include both costs and benefits. Should consider magnitude of effects e.g. comment on relative insignificance of transactions costs for most firms; and relative significance of each point.

For a L5 mark: should consider at least 2 costs and 2 benefits + evaluation.

Max 42 marks if no evaluation.

Max

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