

Revision Worksheet

A2 Economics

Essay Questions

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JUNE 2003 Question 2

Since the early 1990s, the UK rate of inflation has been less than 5% in every year while unemployment has fallen from over 2.7 million to less than 1 million in 2002.

- (a) To what extent do these data contradict the Phillips curve analysis?
[40]
- (b) Examine the factors which might explain why the UK has experienced low inflation and low unemployment in recent years. **[60]**

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

Qu.2 Since the early 1990s, the UK rate of inflation has been less than 5% in every year while unemployment has fallen from over 2.7 million to less than 1 million in 2002.

(a) To what extent do these data contradict the Phillips curve analysis?

Level 5

28 -40 marks

- Description of Phillips curve (expect a diagram)
- Explanation of reasons for existence of trade off in the past
- Comment that UK is in a low inflation and low unemployment era

Evaluation points include:

- This is a relatively short time period: need to consider longer time span
- Special factors are relevant e.g. impact of technological advances
- More flexible labour markets as a result of supply side policies

For a L5 mark: Outline of Phillips curve analysis; reasons why it does not appear to be relevant now 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 outline of Phillips curve analysis only or for superficial response.

(b) Examine the factors which might explain why the UK has experienced low inflation and low unemployment in recent years.

LEVEL 5

42-60 marks

Discussion could include the following:

- UK has been in continuous recovery since recession in 1991-2
- This has led to falling unemployment
- Inflation has been subdued because of: high value of the £; technological advances reducing prices of electronic goods; increased international competition
- Application of supply side policies has had an impact e.g. privatisation: regulation of prices
- Independence of the Bank of England: role of the Monetary Policy Committee

Evaluation points could include

- Consideration of relative significance of above points;
- Differences in goods and service sectors of the economy;
- State of world economy might be the most significant factor explaining the low inflation rate;
- It has become more difficult to claim unemployment benefit, so the claimant count measure of unemployment is artificially low.

For a L5 mark: Discussion of 4 points and two evaluation points.

Max 42 marks if no evaluation

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

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