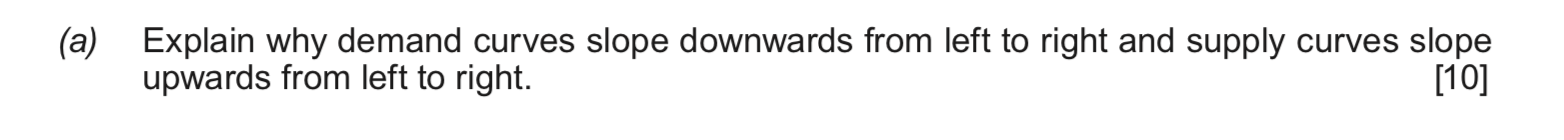


**Essay Strengths and Weaknesses**

Why you think your essay is an A but in reality it’s only a C

Part (a) questions

Generally, the issue here tends to be that candidates will write a lot, tending to pick up AO1 marks, but fail to explain key issues and processes or to refer back to the question directly. This makes it very difficult to get excellent AO1 (requiring in-depth understanding) or good AO3 requiring developed chains of reasoning related back to the question.



Eduqas June 2018

You think your answer is good because:

You have drawn a supply and demand diagram and marked two points on the demand curve and another two on the supply curve. You have then said that falling prices mean that consumers will buy more (P1 to P2 causes demand to rise from Q1 to Q2) but that rising prices would encourage producers to supply more (P3 to P4 causes an extension in supply from Q3 to Q4. This doesn’t feel very long so you write about backward bending supply curves and Veblen goods showing that the statement isn’t always true.

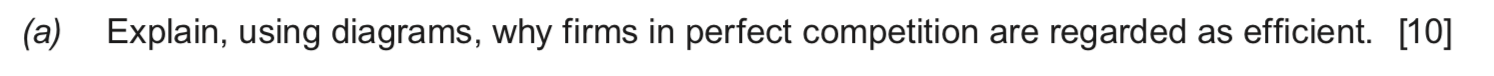
Your answer is weak because:

Firstly, you have evaluated in a part (a). These sections are always ‘explain’ or ‘analyse’, never discuss or evaluate. Therefore, your whole section on Veblen goods and backward bending supply curves generates no marks at all, regardless of how clever or well-explained it is because you haven’t answered the question set.

Secondly your answer is basically descriptive. You have drawn a supply and demand diagram and described what happens when prices change. There is no analysis, explanation or use of theory here - you have not ‘explained why’.

A good answer would:

Make effective use of economic theory to explain way the curves are the way they are. For demand, income and substitution effects or diminishing marginal utility. For supply the principle of diminishing returns to a factor. A halfway house would be to at least explain why consumers and firms respond the way they do to price (better value for money, greater possibility for profit)



WJEC May 2019

You think your answer is good because:

You have correctly drawn a diagram showing perfect competition in long run equilibrium and you have listed all of the assumptions of perfect competition. You have identified that it is productively efficient because MC=AC and allocatively efficient because P=MC. You also know that it will be X efficient. This doesn’t seem like very much, so you explain how the absence of barriers to entry will mean that only normal profits will be earned in the long run and will force the firm to be efficient.

Your answer is weak because:

Firstly, you haven’t shown any understanding of what the efficiencies actually are, what the difference is between them and in what way they are actually efficient. Hence a lack of focus on the key word in the question.

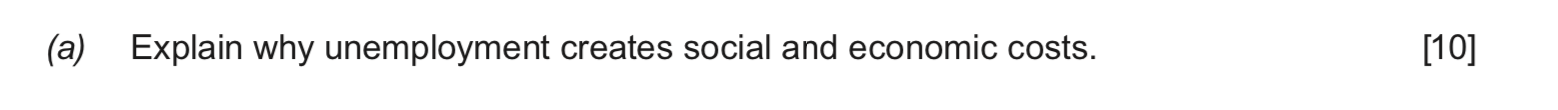
Secondly, other than drawing a diagram, you have shown no understanding of the process through which these efficient outcomes will be produced in perfect competition. You have simply shown knowledge of the condition for each efficiency and knowledge that this condition will be true in Perfect competition.

A good answer would:

Explain in what way a productive efficiency is efficient and why a firm in perfect competition will be forced to keep costs down to the lowest level. This analysis can then be extended to X efficiency as well.

Explain how allocative efficiency maximises consumer welfare and explain why forms in perfect competition will be forced to respond to consumer needs.

Both of these sections will link back to some of the underlying assumptions of perfect competition in terms of why these distinctive assumptions cause the efficiencies to come about (in particular, identical products, perfect knowledge and free entry and exit in the long run).



Eduqas June 2018

You think your answer is good because:

You have come up with a very large number of costs such as an increase in spending on benefits, a fall in tax revenue for the government, a rise in crime and a reduction in aggregate demand. You have described how unemployment might result in these outcomes and you have 3-4 points overall.

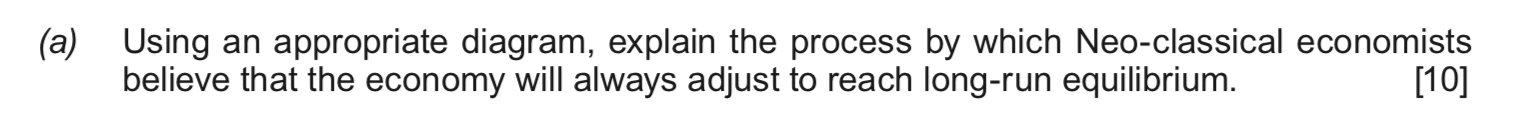
Your answer is weak because:

Firstly, you haven’t explained why the impact you describe is actually a cost - what is negative about the impact identified. If unemployment results in a larger budget deficit - so what? You need to go deeper and to explain the opportunity cost or possible crowding out effects and so on. If aggregate demand falls - so what? Firms’ profitability may fall, which is likely to damage investment which may have impacts on long term growth.

Secondly, the points that you have chosen aren’t necessarily the most sophisticated. Pareto inefficiency, deskilling and hysteresis effects on the NAIRU or the impact on health both physical and mental would give greater scope for detailed analysis

A good answer would:

Pick points that have depth to them - budget deficit, Pareto inefficiency, deskilling and health issues. In each case it would explain how unemployment creates the issue and why the issue actually creates a concrete cost - hence two steps of analysis.



WJEC May 2018

You think your answer is good because:

You have a diagram which shows the vertical long run aggregate supply function and you have shifted AD to the left showing a recession. You have marked on two price levels and have described how a fall in aggregate demand simply causes a fall in the price level without any impact on real GDP in the long run. You may have shown knowledge of the neoclassical assumptions of perfect product and labour markets. Because of these, a fall in AD causes the price level to fall and the economy self-stabilises.

Your answer is weak because:

Firstly, you haven’t focused on the question which is the process of adjustment. Your answer has nothing on the process - it simply takes a start and end point and assumes that the economy moves from one to the other by magic; there is nothing on the adjustment from short to long run equilibrium.

Secondly you have assumed a negative demand shock but the question doesn’t state that. Strong answers will explain the process fully in one direction and then briefly explain that the economy will also return to equilibrium of there is a shock in the other direction.

A good answer would:

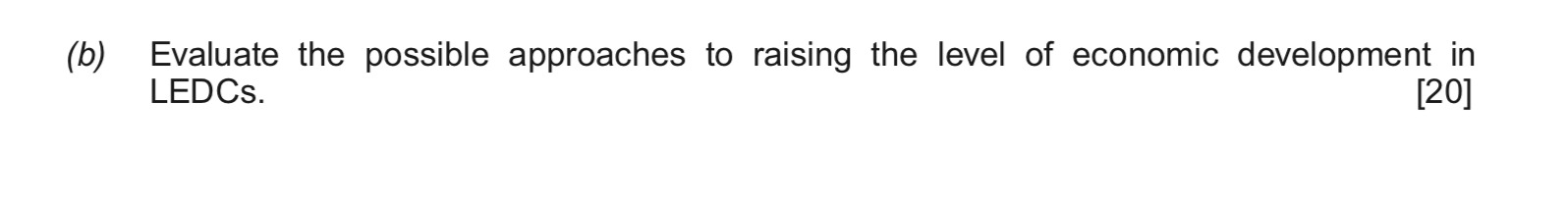
Have a diagram with both short and long run AS curves in it. It would explain how a shock can move the economy away from long run equilibrium and would then explain the forces that should result in a return to long run equilibrium given the neoclassical assumptions perfect product and labour markets.

If there was a negative demand shock, for example, the fall in AD would result in a negative multiplier process resulting in a negative output gap. This would be a short run equilibrium. In the longer run, the higher unemployment would put downward pressure on wages (perfect labour markets) which would reduce firms’ costs \*which would shift SRAS out and down). Given perfect product markets, the reduction in costs would cause the price level to fall which would then cause an extension in AD (explaining at least one of the real balance effect, trade effect and real money supply effects).

The answer would then explain that a rise in AD would result in a positive output gap, driving up wages and prices and eventually reducing AD so that the positive output gap is eliminated, again returning the economy to long run equilibrium.

Part (b) questions

The issues are broadly similar here. Although part (b) questions require evaluation, the vast majority of candidates do in fact make an attempt, so it isn’t really the absence or presence of evaluation that discriminates in the A-C range. The problem is more that in weaker answers arguments and counter-arguments are both unsupported by explanation and tend to write in general about a topic rather than addressing the specific question that we have asked. Hence, the issue remains the use of theory and chains of reasoning to support arguments and (in the case of part (b) essays) counterarguments.



Eduqas June 2019

You think your answer is good because:

You have remembered and listed a wide range of approaches such as liberalisation, aid, improving governance and attracting FDI. In each case you have stated that your solution has overcome a problem facing LEDCs and then you have explained how the fact that the problem has now been overcome will allow both growth and development to take place. You take special care to distinguish between economic growth and economic development and then in each case you explain why your policy might not work.

Your answer is weak because:

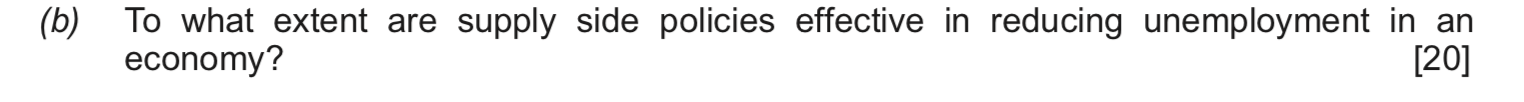
You didn’t explain how your policy would actually work to overcome the problems facing LEDCs. Answers tend to run along the lines of - corruption is a problem therefore LEDCs need to improve governance. Once this is done, funds can be allocated to health and education etc etc but it all takes a long time. Or, a problem facing LEDCs is a lack of investment. A solution is to attract FDI. Once FDI has been attracted jobs will be created, the tax base will increase meaning more funds can be allocated to health and education etc. But profits might be repatriated and the government might be corrupt.

In both cases there has been no understanding shown of how the policy might work - how is governance to be improved and why might this be difficult? How is FDI to be attracted? Hence answers tend to feel bland because the analysis is all about how once the problem has been solved, development will occur, but this misses the point.

A second issue is that you haven’t used any examples; these would show that in reality development approaches take a very long time to make an impact and face a lot of obstacles along the way.

A good answer would:

Identify a problem facing LEDCs and then explain in detail how this problem might be overcome, using specific examples to show how it might or might not work. The answer would then explain how overcoming the problem would allow development to occur but would show the circumstances under which it might be more or less effective, again using examples.



WJEC May 2017

You think your answer is good because:

You have identified and explained a large number of supply side policies and shown how they will increase economic growth and therefore create jobs. You have diagrams showing the LRAS shifting to the right, therefore increasing GDP and creating jobs. You have evaluated your policies, commenting on time lags, the risk of increasing inequality for some (such as benefit reform) and the risk of increasing the government’s budget deficit for others (such as increased education spending). You then say that in a recession supply side policies don’t work and what is needed is a demand side boost and explain how monetary and fiscal policy will be much more effective under these circumstances but that they too have limitations.

Your answer is weak because:

You have assumed that supply side policies automatically increase GDP and that an increase in GDP will automatically create jobs. There are three things that tend to make answers to this sort of question weak.

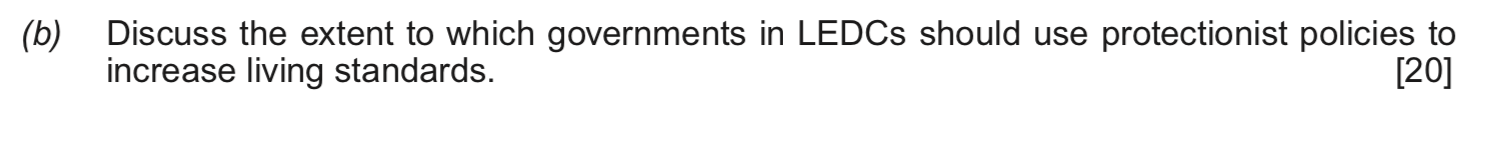
Firstly, the explanation of supply side solutions is a description of what the policy *is* rather than an explanation of how it will tackle unemployment. Linked to this is an assumption that all people are unemployed for the same reason, a lack of GDP; such answers are really just demand side answers in disguise when in reality unemployment exists for all sorts of different reasons.

Secondly the evaluation isn’t focused on the *effectiveness* of supply side policies, most of it is just generic disadvantages and side effects - the evaluation isn’t tackling the question directly.

Thirdly, you weren’t asked to compare supply side with demand side policies, you were asked specifically about the effectiveness of SSPs. It’s fine to say that in some circumstances they may be less effective, but spending a lot of time talking about what might be more effective isn’t what you were asked.

A good answer would:

Think about why unemployment might exist, possibly drawing a distinction between an economy in recession and one that isn’t. In each case the answers would then pick specific supply side policies that might be appropriate and show how they might make a difference before then qualifying each one. For example, in recession, an answer might suggest that the reason the economy isn’t recovering quickly is because of product and labour market inflexibilities. Hence, depending on the economy, further reforms to weaken workers’ pay bargaining positions might allow real wages to fall and therefore price workers back into jobs. This could be illustrated with some sort of self-stabilisation analysis before evaluating with Keynesian counters. Outside of recession, an issue is often a skills mismatch, so reform of education and training might be in order. But who knows what skills are going to be needed? Who is going to do the training? How long is this really going to take? How are you going to get the training to those who need it? The best evaluation in this type of essay tends to be specific to a particular well-explained policy rather than talking about generic side effects.



WJEC May 2019

You think your answer is good because:

You have drawn the tariff diagram and shaded in the tax area the increase in domestic producer surplus, the fall in domestic consumer surplus, the inefficiency area and the deadweight loss area. You have used your diagram to explain how the increase in domestic production will increase the GDP of the LEDC therefore creating more jobs, allowing the tax base to rise for the government to rise and therefore improving living standards. You have explained that the tariff box on the diagram means more money for the government to spend on health and education which will then improve the HDI and therefore development. You have evaluated by using the diagram to explain that local consumers will face higher prices and that there will be a welfare loss. This hasn’t taken as long as you thought, so you do the same thing for quotas, subsidies and administrative barriers.

Your answer is weak because:

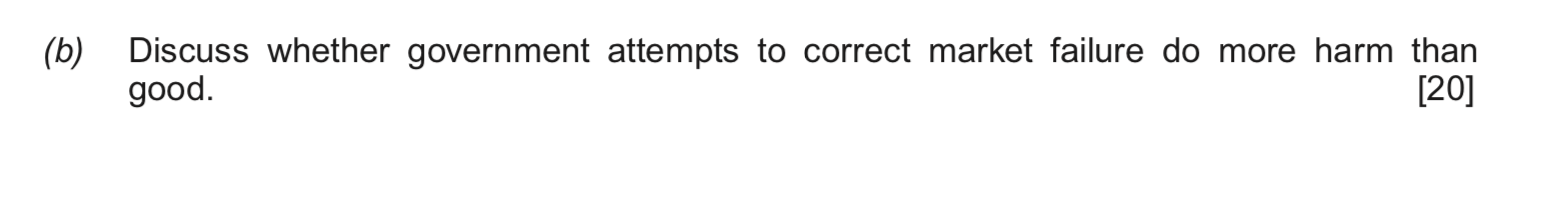
You have essentially just written an advantages and disadvantages of protectionism essay, occasionally tweaking it to refer to an LEDC. You have used your diagrams as the answer to the questions rather than as supports for your own arguments and you have ignored the wording of the question - ‘the extent to which’, ‘LEDCs’ and ‘living standards’.

The answer above could really apply to any country in the world and also generalises the protection for one industry to the entire economy and also generalises LEDCs, assuming that protectionism will be the same for each of them rather than thinking about LEDCs with different levels of development and economic structures.

A good answer would:

Start by thinking about the problems facing some LEDCs and thinking specifically about the ways protectionism might help to overcome the problem. If a country’s main issue is primary product dependency, for example, then focused protectionism to allow infant industries linked to primary product processing might make sense. At this stage an explanation of how the sector might be protected would be appropriate together with a discussion of the *extent* to which it would be desirable - how much protectionism? For how long? In how many sectors? What might the risks be? Ideally this discussion would be supported with an example or two.

Different LEDCs face different issues, however - a country wishing to break into world markets might need to use very different forms of protectionism such as targeted low interest loans or subsidies. A country that faces unfair competition from MEDCS might be very different again - but much will depend on the stage of development that the LEDC is at. Hence a good answer will tend to look at how protectionism might be a part of a program to raise living standards in a country, but a part that might be more appropriate in size, extent and duration for some countries than for others.

Eduqas June 2019

You think your answer is good because:

You have identified several examples of market failure and you have described some solutions to the market failure. You have then evaluated each one by explaining that the policy might not really work. For example, demerit goods have external costs in consumption and this can be dealt with by an indirect tax. A diagram shows how an indirect tax reduces the quantity of the demerit good bought and the shaded box shows tax revenue for the government which can be spent on health. But the demand for demerit goods tends to be inelastic and therefore the policy might not be very effective.

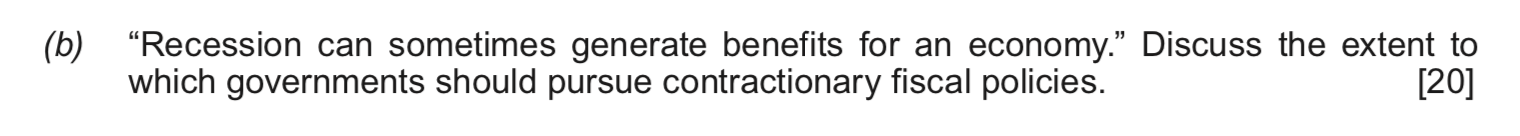
Your answer is weak because:

There are two main problems with the approach. Firstly, the detail is on the nature of the policy rather than how it might correct market failure - it talks about what the policy is rather than how it fixes the problem.

Secondly the question didn’t ask about the advantages and disadvantages of government policies, it asked about whether such policies would do more harm than good, meaning that the essay is really about government failure, which isn’t something that you covered in the outline above.

A good answer would:

Take some examples of market failure and then explain how the market failure itself could be fixed by some form of government intervention making clear reference to how the allocation of resources would be improved to increase welfare. The answer would then look at why the policy might be damaging - possible because it doesn’t work and therefore wastes money, but also because the policy may have side effects which result in a further or worse misallocation of resources - the answer would therefore focus on the key art of the question ‘more harm than good’.



WJEC May 2019

You think your answer is good because:

You explain what contractionary fiscal policies are and that the effect will be to reduce aggregate demand. You explain how a reduction in aggregate demand will have negative multiplier effects, reducing GDP and causing unemployment to increase and support this with an AD/AS diagram showing AD shifting to the left. You then argue that if aggregate demand is too high, then contractionary fiscal policy might be a good idea because it helps to reduce inflation and might also prevent a trade deficit. You support this with a Keynesian style LRAS with AD close to the economy’s capacity and show how the fall in AD will only reduce inflation but not have any effect on GDP. You evaluate this by saying that contractionary fiscal policy isn’t really that good in these circumstances because it takes a long time to have an effect and that therefore contractionary monetary policy is more effective.

Your answer is weak because:

Firstly, it ignores the opening statement in the question - “recessions can sometimes generate benefits to an economy”. This is a clear indicator that even if contractionary fiscal policy does reduce GDP then this isn’t necessarily a bad thing. Who tends to think this? Neoclassical economists who might argue that recessions are short lived, put inefficient firms out of business and that contractionary fiscal policy may well be needed to prevent crowding out of private sector investment which would hamper long term economic growth.

Secondly, it treats all contractionary fiscal policy as the same - different forms of contraction are likely to have different effects and also it ignores the starting position of the government - what are its finances - is there any need to run a budget surplus?

The last section of the answer has some merit, but there is a danger that it simply contradicts itself - if contractionary fiscal policy is so limited in terms of controlling demand then why talk about it at all. A better approach might be to say that there are times when AD does need to be controlled (generally its rate of growth to be reduced rather than AD itself), and that contractionary fiscal policy can be used, but that other forms of intervention might be more appropriate.

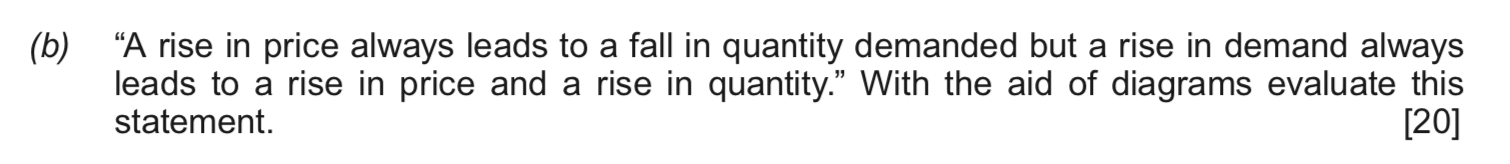
A good answer would:

Argue that contractionary fiscal policy is a fairly blunt tool that would normally be used for reasons other than controlling AD. Generally, this would mean trying to bring the budget deficit under control at the risk of causing a recession. The answer might then think about whether a recession would:

(a) necessarily be caused - just because fiscal policy is contractionary doesn’t mean that other elements of AD aren’t rising by more

(b) necessarily be bad - if labour and product markets are fully flexible, it would in theory be quite short lived and by increasing unemployment might free resources to be used in more productive areas once the economy starts to grow again.

The answer might also discuss the extent to which the government’s finances are in a state which would mean that contractionary policy would be necessary and might also discuss the extent to which contractionary fiscal policy would actually improve the government’s finances anyway.



Eduqas June 2018

You think your answer is good because:

You have drawn a lot of diagrams - normal supply and demand, one with supply and demand both increasing, one with horizontal supply and a shift in demand therefore only increasing output, one with vertical supply and an increase in demand, therefore only increasing price. You have also drawn an upward sloping demand curve. All of these show that the statement in the question is clearly not true and you have written lots of pages!

Your answer is weak because:

Firstly, although the answer is patently untrue because of the word ‘always’, you still have to examine both sides of the debate in detail. The presence of a downward sloping demand curve isn’t enough to cover the first part of the statement in the question.

Secondly, the answer is very short on analysis - although there are lots of diagrams in which changes in price and output are shown to occur, there isn’t really any explanation as to why they occur - either why prices and output change at all in response to a change in supply and demand (the price mechanism) or why a supply curve might be horizontal of vertical in reality and why this means that only one of price and output will change.

A good answer would:

Firstly, explain why *usually* a rise in price would reduce the quantity demanded using theory. This might be income and substitution effects or the principal of diminishing marginal utility. It doesn’t matter really as long as there is some economics in there; answers to this type of question often tend to fall back on assertion because ‘it’s obvious’.

Secondly, the answer would explain that the first part of the statement is only true other things being equal, and that in reality they might not be. This approach would then think about the idea that price might not be the only thing that is changing - if, for example, the economy entered an upswing then the demand for normal goods would be likely to shift to the right, meaning that a rise in price might not cut quantity demanded overall.

The answer would then examine the second part of the statement, looking at why an increase in demand might increase both price and output in the real world. This will require an explanation of an upward sloping supply curve, which will probably therefore require a link back to the principle of diminishing returns to a factor. It will also require an explanation of the price mechanism, explaining how equilibrium is disturbed by a shift in demand and how a new equilibrium comes about. The answer would then explain that supply curves aren’t always upward sloping and would give reasons for that, then explaining what the impact of a shift in demand would be in those circumstances.

The key to a good answer here is a tightly argued analysis of how supply and demand work, but as an early year 12 topic, students tend to have forgotten the details.