Sue Grant and Richard Young

Economics A Level

MACMILLAN

Acknowledgements

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First edition 1989
Revised 1991
Reprinted 3 times
Second edition 1996

Published by
MACMILLAN PRESS LTD
Houndmills, Basingstoke, Hampshire RG21 6XS
and London
Companies and representatives
throughout the world

ISBN 978-0-333-62573-6 ISBN 978-1-349-13606-3 (eBook)
DOI 10.1007/978-1-349-13606-3

A catalogue record for this book is available
from the British Library.

10 9 8 7 6 5 4 3 2 1
05 04 03 02 01 00 99 98 97 96

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The author and publishers wish to thank the following examination boards for permission to use past questions: The Associated Examining Board; Joint Matriculation Board; Northern Ireland Council for the Curriculum, Examinations and Assessment; Scottish Examinations Board; Southern Universities' Joint Board; University of Cambridge Local Examinations Syndicate; University of London Examinations and Assessment Council; University of Oxford Delegacy of Local Examinations; Welsh Joint Education Committee. All examining groups wish to point out that worked examples included in the text are entirely the responsibility of the authors and have neither been provided nor approved by the board. They may not constitute the only possible solutions. The University of London Examinations and Assessment Council accepts no responsibility whatsoever for the accuracy or method of working in the answers given.

The authors are most grateful to the following Heads of Economics for their careful reading and correction of some or all of the original typescript: Clarrie Haynes, Marlborough School, Woodstock, Oxfordshire; Danny Myers, New College, Swindon, Wiltshire; Brian Sangster, Burford School, Oxfordshire; Jonathan Townsend, Abingdon School, Oxfordshire; Laurence Whitehouse, Farnborough Sixth Form College, Hampshire. A particular thanks should be given to Robert Ackrill for the long hours of invaluable assistance given freely in shaping the initial stages of the book. Past students of West Oxfordshire Technical College, Corrina Boreham, Angela Frost, Clare Guy and Robert Prior-Wandesforde, and Sally Trego, formerly of Matthew Arnold School, corrected many early errors. We also owe a huge debt to the many other students who have painstakingly worked through the examples. Robert Sulley of Macmillan has given the most helpful support.

Since this is a joint venture, both authors thank their families for their sacrifices, patience and understanding throughout.

Any failings which remain are entirely our own.

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Good design

for effective revision

The Economic Problem and Demand and Supply

Syllabus analysis

Ensures you only do the topics you need – no more, no less

Start and completion column

Keeps tabs on your progress – see at a glance which areas still need to be worked through

						Topic			Date begun	Date completed	Self-assessment
AEB	NEAB	OCSEB	UCLES	ULE	UODLE						
✓	✓	✓	✓	✓	✓	Fact sheets					
✓					✓	Investigative study					
✓	✓	✓	✓	✓	✓	Data response					
✓	✓	✓	✓	✓	✓	Objective questions					
		✓	✓	✓	✓	Essays					

Chapter breakdown

Shows you in detail what is covered in the chapters

Self-assessment

For you to note how well you've done or areas which to be revised again

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Exam Board Addresses

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number with your teacher!**

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Introduction

How to use this book

This book has been designed to help you prepare for your A Level examination in economics. Simply buying a revision text does not guarantee examination success. However, by working from this book over the months leading up to the final examination you will improve your ability to understand and apply key economic concepts.

Work Out Economics A Level is not intended as a textbook but as a comprehensive revision manual. If there are topics you have not covered in class, refer to a good textbook and make notes from the relevant chapter. Key economic terms are in *italic* type for emphasis and are clearly defined in the text.

The book is divided into self-contained chapters, each covering a major topic. At the beginning of each chapter you will find a summary of the essential economics you need to know. Make sure you become thoroughly familiar with the material in these summaries.

Each chapter contains a number of worked examples of the type of question you can expect in the final examination. For data response and essay-type questions, suggested solutions are given. It is absolutely essential that you do not treat the solutions provided as 'model' answers to be memorised and then copied out in the examination. In economics there is almost always more than one 'correct' solution to a given problem. This is particularly true in macroeconomics, where professional economists are divided as to the causes and cures for problems

such as inflation and unemployment. Use the solution given as an indication of the sort of analytical skills of evaluation and judgement that you should be using yourself.

The section on objective questions gives you a chance to test your knowledge and understanding of a topic. Do these questions without looking at the answers provided. If you give an incorrect solution to one of the questions refer back to the relevant section in the fact sheet.

Revision

Most courses in A Level economics are over two years. Ideally, preparation begins six months before the final examination. You cannot hope or expect to sustain intensive concentration for twenty-six weeks. Start by obtaining a copy of the syllabus from the appropriate examining group. Use the syllabus to write out a study plan, listing the topics you are going to revise each week. Spend most time studying the concepts and issues that are central to the subject. For instance you may find that some topics, such as welfare economics, are covered in more depth in *Work Out Economics A Level* than is required by your syllabus.

Build up to a period of intensive revision during the last four weeks before the exam. Many people find it helpful to write as they revise. Make notes on one side of loose-leaf paper, leaving generous margins in case you want to add new ideas. In particular, make sure that when you have finished a topic you can:

- (1) Define economic terms
- (2) List key points
- (3) Apply important concepts
- (4) Draw relevant graphs

It is important to be able to draw graphs quickly and accurately, and a little practice will be needed.

The number of hours you put in is far less important than what you put into those hours. Most students find that they can concentrate better and learn faster if they work in bursts of thirty minutes with regular breaks. Avoid uninterrupted three-hour slogs. Promise yourself a special 'treat' at the end of a successful revision session.

Try to review the material covered shortly after you have studied it, and again a few days later. At the beginning of the revision programme have a look at past questions and write down the main points you would make in an answer. Draw and label relevant graphs. Make sure you can explain in your own words important concepts such as crowding out and inferior goods. It may help to draw up your own glossary of key economic words. Find time to familiarise yourself with current economic trends in the UK by reading economic articles in the quality newspapers and journals. For instance, do you know the present rate of inflation or the balance of payments trend? Similarly, you should be aware of the current government's policy. Are you aware of the Chancellor's strategy for demand management of the economy? As the final exam approaches, practise answering questions in full and under examination conditions. You will soon find that your ability to apply economics has improved beyond all measure.

Make sure your study programme is balanced and allows time for enjoyment and relaxation. Work hard, do your best and look forward to the long summer holiday, when you can take a well-earned break.

The examination

You are bound to be slightly nervous on the day of the exam. So is everyone else. Remember, with careful revision and good examination techniques picked up by reading this book, you should do well. Arrive in good time. Do not forget to take the appropriate equipment for each paper. There are three main types of question in the final examination, although boards also make use of case studies and investigative studies – see the grid at the end of the Introduction.

(a) Essay questions

For this paper you are going to need two pens, a ruler, a pencil, a rubber and a watch. Correcting fluids such as Tipp-Ex are not allowed! Essay questions test your ability to evaluate arguments and express viewpoints. Most students find this type of question the hardest to tackle, and on average the marks earned in the essay paper are lower than those for data response and objective test papers.

Start by reading through the paper and identifying the topic covered by each question. Check the phraseology, taking particular note of key words as these will indicate what the examiner is looking for. For instance, '*compare and contrast*' means discuss similarities and differences, while '*elucidate*' means explain. Only answer questions on topics you have revised. Only attempt questions where you can answer each part. Once you have decided to attempt a question, briefly plan your answer. Many candidates like to gain confidence by tackling their best question first. Remember, there are two main reasons why capable students underachieve when writing essays:

- (1) Candidates decide a question is about one topic (e.g. inflation) and then write all they know about that topic.
- (2) Candidates copy out a memorised answer to a similar past question.

You will do much better if your answer is a well-reasoned explanation that is relevant to the set question. Develop a line of argument that has a beginning, a middle and an end. Try starting your essay by defining the important economic terms given in the question. Then make clear any assumptions you are going to make. For example, suppose the question is ' "In the long run, all firms earn normal profits, only." Discuss'. You might begin by defining firms and normal profits and then continue by initially assuming a perfectly competitive market structure. After establishing that the ability of firms to leave or enter the industry ensures that only normal profits are earned in perfectly competitive markets, in the long run, end the essay by evaluating an industry assuming imperfect competition.

Some questions, such as the one just discussed, lend themselves to a graphical analysis. Clear, neat and labelled graphs that are relevant to the set question can save a hundred words of explanation. It is always better to draw a series of graphs to advance an argument than to use one diagram for all stages of

an argument. Avoid simply drawing diagrams and then ignoring them in your answer. Any graph should be an integral part of the essay. Draw the examiners' attention to a diagram by stating, say, 'in Figure 1 the firm sets output at Q '. Write in clear, simple short sentences. Often arguments are best developed by stating a point, explaining that point and then giving a real-world example. For instance, suppose part of a question asked, 'Explain the meaning of *ad valorem* taxes'. You might write:

An *ad valorem* tax means value added tax [statement]. A given percentage is added to the selling price of a good and the resulting tax is passed on to the government by the seller [explanation]. For example, 17.5% VAT on the sale of a £200 camera would increase its market price to £235 and raise £35 of tax for the government [example].

Once a point has been fully developed, start a new paragraph. Try to relate your theory to the real world. Examiners are always impressed if a candidate can display an understanding of how economics influences the world around us. Remember, too, that good candidates avoid narrow interpretations and recognise that there is more than one valid approach. Do not use unacceptable abbreviations, for example, 'gov' instead of government. When using acceptable abbreviations, first write out the word or phrase in full with the abbreviation following in brackets. For instance, 'International Monetary Fund (IMF)'. Thereafter you may use the abbreviation.

It is absolutely essential that you complete the required number of questions. If you are running out of time and cannot complete an answer, do a full essay plan, including graphs where appropriate.

Be careful to avoid irrelevant answers – these not only earn no marks, but also waste valuable time that could have been used to earn marks from another question. No marks are earned by waffle or by repeating points made earlier in the essay. Do not spend too much time on one particular question. Set out your work clearly and neatly. Use your economics. Above all, make sure that what you are writing is relevant and answers the set question.

(b) Data response questions

For this paper you are going to need two pens, a ruler, a pencil, a rubber and a watch. Bring a calculator along. Remember to check that the batteries are not

on the verge of running out. Data response questions are especially good at testing your ability to apply economics and to quantify. There are two types of data response questions: *statistical data*, displayed as graphs, tables, charts or diagrams, and *literary prose extracts* from newspapers, journals, etc. Each examining board tends to have its own 'house' style of data response question. Make sure you have familiarised yourself with examples drawn from previous papers. In the actual exam, allocate sufficient time for a careful study of the entire question. Here is a check-list of points to consider when tackling statistical data response questions:

- (1) Ask yourself what key economic concepts are being tested by the question.
- (2) Look at how the data have been obtained:
 - (a) Are there any hidden assumptions or unsupported statements?
 - (b) Is the evidence used selective or biased?
 - (c) Is the survey *complete* (i.e. all the appropriate population have been included) or a *sample* (i.e. only some of the population have been included)?
- (3) Identify major variables in the data:
 - (a) Are the figures shown as absolute values, percentages, index numbers, billions of £s, thousands of people etc.?
 - (b) Which is the largest item?
 - (c) How do other items compare?
 - (d) Which variables are *stock values* (i.e. an amount at a given moment in time) or *flow values* (i.e. an amount per time period)?
- (4) Observe any trends (patterns) in the data:
 - (a) Which variables are rising, falling or stable?
 - (b) What is the percentage change in a variable?
Use the equation:

$$\text{percentage change} = \frac{(\text{present value} - \text{previous value})}{\text{previous value}} \times 100$$
 - (c) Are any variables cyclical?
- (5) Is there a direct relationship between any variables in the data? Look out for:
 - (a) *Causal relationships*, where the value of one variable determines the value of a second variable. However, remember that unrelated variables sometimes move closely together.
 - (b) *Lagged relationships*, where the current value of one variable is related to the previous value of a second variable.
- (6) Relate your knowledge of theory to the data. Can

you give reasons for relationships, trends or cycles observed?

- (7) Always look for relevant data to explain your assertions.

Gain confidence in handling and interpreting statistical data by familiarising yourself with typical examples. Much of the data used by economists is presented as *time series*, which show the value of a particular variable such as national income at different points in time. Great use is made of official statistics issued by the Central Statistical Office (CSO). Try to find time to look at CSO publications such as the 'Blue Book' (UK National Accounts) or the 'Pink Book' (Balance of Payments Statistics), which are kept in the reference section of most public libraries.

Literary data response questions present an extract and sometimes supporting tables for analysis. Spend time reading the section of prose carefully. Many of the check-list of points given above for use with statistical data can equally be applied to prose. You are almost certainly going to be asked to identify and express *in your own words* the main features of the data. Try to avoid making sweeping or vague statements that are unsupported by evidence. Instead, explain the essential features of the extract, quoting relevant phrases from the text only to support a point made in your own words. Always indicate such phrases by 'quotation marks'.

Many literary data response questions ask candidates to apply economic concepts. You are expected to relate relevant theories such as supply-and-demand or theory of the firm to the extract presented. Remember that a variety of approaches may be required. Diagrams should be used if appropriate.

You may be asked to evaluate the data and then predict future trends or outcomes. Look back at the extract and identify key variables, relationships and economic concepts. Use these as the basis of your predictions. Avoid making a series of random predictions unsupported by information contained in the data provided.

(c) Objective questions

For this paper you are going to need a pencil, rubber, ruler, watch and calculator. Objective questions are well suited to testing your knowledge and understanding of theories, and deal with 'certainty' areas of economics. Hence, objective questions are set

on topics where economists are agreed that there is a single correct answer.

These *multiple-choice questions* contain a stem and a number of possible answers, of which only one is correct.

Example 1

STEM	Industrial inertia occurs when:	
	<div style="display: flex; align-items: center;"> <div style="font-size: 3em; margin-right: 5px;">{</div> <div> <p>A the share of manufacturing in national output declines</p> <p>B firms fail to exploit economies of scale</p> <p>C industry gains no cost advantage from any one site</p> </div> </div>	OPTIONS
DISTRACTORS		
KEY	D the initial reasons for location have disappeared	

The *stem* sets the question and candidates have to choose between a number of incorrect *distractors* and the correct option, called the *key*. Some questions can be answered quickly. Look at the options and see where there are any that can be immediately eliminated or accepted. If not, it is important not to be delayed by those questions requiring deep thought or lengthy calculations. Remember: each question, whether easy or difficult, carries the same number of marks. Make a note of such questions for later consideration and carry on working through the paper.

A range of strategies can be used when tackling the objective question paper. Only one rule must be followed: answer all the questions. Some candidates prefer to work through the paper, answering each question in turn, irrespective of the amount of time or degree of difficulty involved. However we have already suggested that it may be better to delay answering time-consuming questions until you have worked through all other questions. Be sure to treat each question carefully and not to give a wrong answer through carelessly misreading the stem or options. Questions with 'not' in the stem are particularly dangerous! For this type of question, the option to which you can answer 'no' is the correct solution.

If you begin to run out of time, work through the remaining questions allowing yourself a maximum of, say, 20 seconds per question. If time is about to run

out completely, make sure you scribble down some answer and hope that at least one or two will be right.

In any case, DON'T PANIC. Both authors wish you all the best and good luck in the final exams!

The new A Level syllabuses

All the newly approved syllabuses have the following characteristics in common:

- Less emphasis on some traditional areas of content, e.g. Keynesian 45° approaches.

- Greater emphasis on examining the strengths and weaknesses of the market economy.
- Reduced assessment weightings for knowledge and understanding, with most marks now being awarded for achievement of 'higher order' skills.
- Greater focus on the application of economics to contemporary issues.

There are also significant differences between the new syllabuses and these are illustrated in the following table.

<i>Exam board</i>	<i>Changed assessment weightings¹</i>	<i>Multiple choice</i>	<i>Coursework</i>	<i>Focused study²</i>	<i>Modularity</i>
AEB	yes	yes	yes	yes	no
NEAB	yes	yes	no	no	no
Oxford	yes	yes	yes	yes	yes
O & C	yes	yes	no	yes	no
ULEAC (Nuffield)	n/a	no	yes	no	partial ¹
ULEAC (Traditional)	yes	yes	no	yes	no
UCLES Linear	yes	yes	no	no	no
UCLES Modular	n/a	no	no	yes	yes
WJEC	yes	yes	no	no	no

Notes:

¹ Choice between business studies and economics routes.

² Extended study of a particular economic issue/context.

Source: The Economics & Business Education Association.