

# **AS Micro: Building Good Evaluation into your Answers**

# Some critical evaluation approaches

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Use data / evidence to support an argument

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Possible unintended consequences / government failure

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Are there better alternatives? Have they been tried?

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Fairness – does a policy make inequality worse?

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Will **no intervention** lead to a deeper market failure?

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Policy combinations needed? (e.g. demand & supply-side)

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Can the free market find a solution through the right incentives?

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Can behavioural economics change behaviour / outcomes?

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# Some recent exam questions (EdExcel)

## Potash Mining

1. Using the information provided and your own knowledge, **discuss the case for** allowing the potash-mining project to go ahead in the North Yorkshire Moors National Park. (14 marks)
2. **Discuss the factors** that might influence the supply of labour to the mining industry or another industry of your choice. (14 marks)

## Bottled Water

1. With reference to the concept of external costs, **discuss the possible economic effects** of an increase in the production and consumption of bottled water. (14 marks)
2. **Evaluate the likely economic effects** of an increase in indirect tax on bottled water. Use a supply and demand diagram in your answer. (14 marks)

# Some recent exam questions (EdExcel)

## Severn Estuary Tidal Barrage

1. **Discuss factors that might influence** the supply of labour for constructing the tidal barrage scheme. (14 marks)
2. **Evaluate two measures**, other than supporting the Severn Estuary tidal barrage, by which the Government could promote the generation of renewable energy. (14 marks)

## Cigarettes

1. With reference to the information provided and your own knowledge, **discuss the likely benefits to consumers and the government** of a decrease in tobacco smoking. (14 marks)
2. With reference to the information provided and your own knowledge, **to what extent might** regulations on the sale of cigarettes and high taxes on tobacco results in government failure? (14 marks)



# Some recent exam questions (AQA)

## Bio-fuels and the environment

‘Some economists argue that the increase in food prices, caused by the rapid rise in biofuel production, is a major cause of famine and poverty in some of the world’s economies’ (Extract C, lines 1–2).

Using the data and your economic knowledge, **evaluate the case for and against governments** intervening to prevent agricultural products from being used to produce biofuel. (25 marks)

# Some recent exam questions (AQA)

## The Newspaper Market

‘Some people argue that, because newspapers are such an important source of information and education, the government should help them to survive’ (Extract F, lines 10–11).

Using the data and your economic knowledge, **evaluate the case for and against** the government subsidising newspapers and online news.  
(25 marks)

Assess the **effectiveness** of a new indirect tax on fast food in improving the health of young people in Britain



## Assess the effectiveness of a new indirect tax on fast food in improving the health of young people in Britain (14)

First get the **knowledge**, **application** and **analysis** marks! (8 marks)

- **Define indirect tax (1)**
- Explain that it acts as a cost of production to firms and will shift the supply curve vertically upwards (1)
- Draw an analysis diagram to illustrate a tax (4)
- Explain the effect on quantity demanded, using the diagram (1)
- Explain that reduced quantity should improve the health of Britain's youngsters. (1)

**Analysis comes before evaluation** – get the straightforward marks first when under the pressure of the exam clock!

Knowledge

Analysis

Application

Evaluation

# Assess the effectiveness of a new indirect tax on fast food in improving the health of young people in Britain (14)

Then start building the evaluation arguments

1. Use elasticity - Effectiveness depends on price elasticity of demand. Extract 2 estimates that “PED for hamburgers is -1.5” this shows that a 20% rise in price might lead to a 30% reduction in consumption, other policies might not be as effective as this (2)

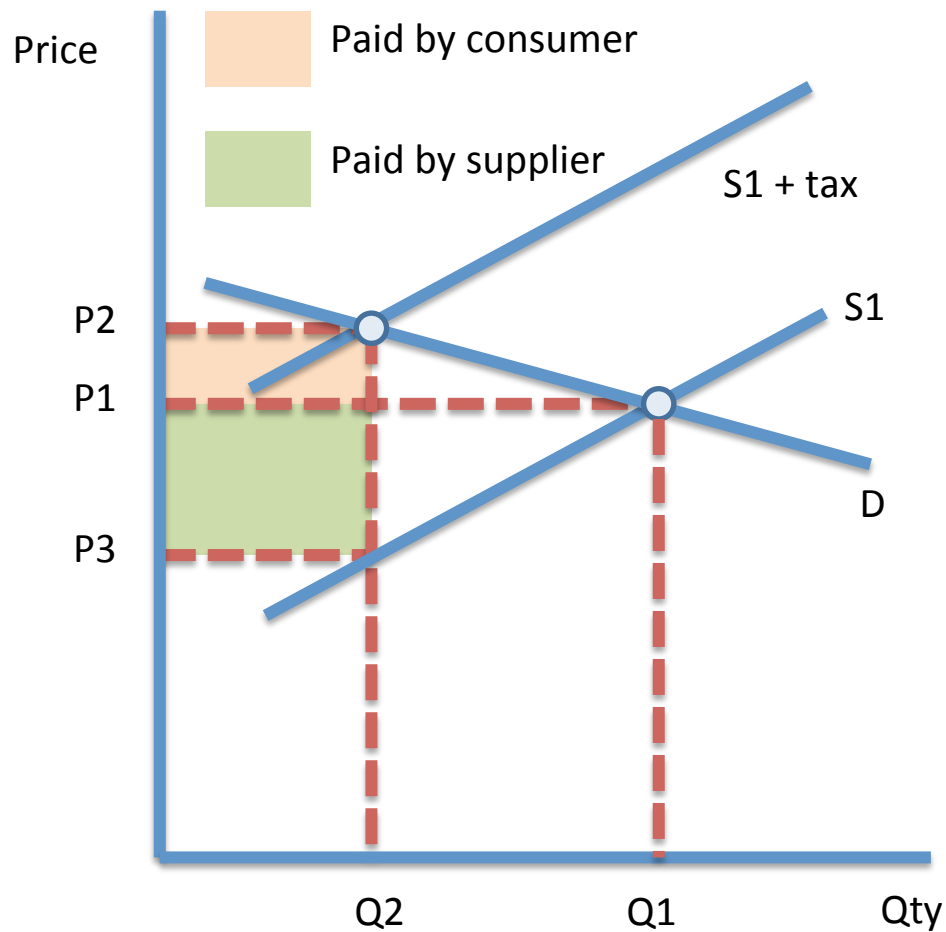
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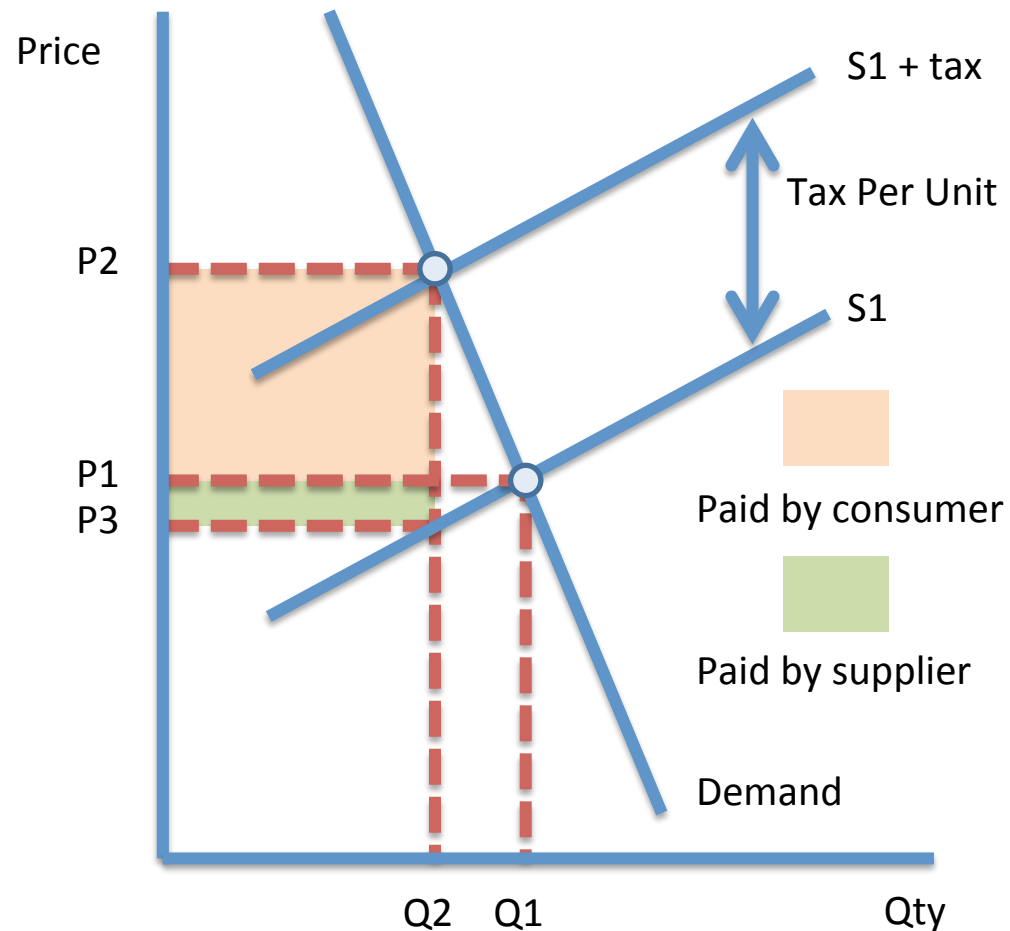
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2. **Challenge effectiveness:** Habitual consumers and those with high incomes may continue to consume despite the tax (2)
3. **Question definition:** The case for a tax depends on what we count as fast food – e.g. not all fast food is unhealthy such as fruit and food on the go meals such as porridge and soup – what is included will depend on the government making value judgements (3)

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## Assess the effectiveness of a new indirect tax on fast food in improving the health of young people in Britain (14)

4. **Recognise alternative policies** – If the main market failure is an information failure (i.e. overconsumption of de-merit goods) then informing consumers about the harmful long-term effects of eating junk food might be more effective as a tax. (3)

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5. **Suggest alternative policies** - A more effective policy might be to invest in & subsidize sporting facilities for young people (2)

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5. **Suggest alternative policies** - A more effective policy might be to invest in & subsidize sporting facilities for young people (2)
6. **Quantify** – charging an indirect tax of 20% on fast foods would probably be effective because those most hit by this will be spending a high percentage of their income on these products (2)

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5. **Suggest alternative policies** - A more effective policy might be to invest in & subsidize sporting facilities for young people (2)
6. **Quantify** – charging an indirect tax of 20% on fast foods would probably be effective because those most hit by this will be spending a high percentage of their income on these products (2)
7. **Equity issues**: There is a risk that a new tax on fast foods would hurt poorer families most, leading to a rise in **inequality** (2)

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## Takeaway Points on Fast Food Question

1. **Critically assess the policy/proposal** that you have just made
2. The **extract material will give you clues** – use them to score application marks and to improve the evaluation
3. **Don't neglect charts & diagrams** – they provide strong evidence – **this is a data response paper, not a data ignore paper!**
4. Top candidates can 'weight' their arguments and **explain why** e.g. which policy might be most effective in the long
5. Consider what might happen **if there is no intervention**
6. **Don't go onto auto-pilot**: apply the theory you have been taught to case study you are presented with in the exam hall

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# Connective words – always help analysis and evaluation in economics

Cause and Effect	Contrasting	Qualifying	Sequencing	Comparing	Illustrating
consequently	but	however	meanwhile	likewise	such as
because	despite	unless	after	as	in the case of
therefore	on the other hand	but	then	equally	for instance
thus	otherwise	if	when	similarly	for example
so	unlike	although	eventually	in the same way	
	instead of	on the other hand	while		
	alternatively		next		
	whereas		before		

## Evaluation Phrases

- Some useful evaluation phrases
  - The impact depends on...
  - In the short run..... but in the long run...
  - The most significant effect is likely to be....
  - The effect on equity/equality is
  - The most cost-effective policy is ...
  - Given the evidence I have used, I would argue that the best solution in the circumstances is ...
  - This is a complex problem and requires a combination of policies to make a big difference in the long-run



# Two sample student answers



To what extent should government subsidise renewable energy?

# Student A

A subsidy for renewable energy would help reduce negative externalities in the long term. This would mean there would be less pollution and so many consumers wouldn't suffer as much as they do now. There might, however, be a big opportunity cost in the form of visual pollution especially for people who live near wind farms and find it hard to sleep at night.

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# Student A

A subsidy for renewable energy would help reduce **negative externalities** in the long term. This would mean there would be less pollution and so many consumers wouldn't suffer as much as they do now. There might, however, be a big **opportunity cost** in the form of visual pollution especially for people who live near wind farms and find it hard to sleep at night.

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# Student B

A subsidy is a payment given to a firm to help them reduce the price of a product in order to raise consumption or production. If renewable energy was subsidised, this incentive might help to reduce negative externalities in the long term as the article states that “onshore wind is more environmentally-friendly.” One way they could raise the revenue for a subsidy is by taxing fossil fuels. However, in the short run, the higher cost of renewables could mean electricity bills are much higher. This would raise the cost of living for consumers many of whom are on low incomes and at risk of fuel poverty. This might mean a subsidy is inequitable.

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# Writing “reasoned conclusions”

- Draw together your most powerful arguments
- Make a final judgment: is there genuinely a need for government intervention?
- Which stakeholder groups are most affected?
- Contrast short-term versus the long-term solutions
- Update your answer by linking it to recent changes in government policy

# The Best Answers ..... Praise from the Examiners!

“Only a minority of responses **challenged the question** and suggested that without intervention to curb tobacco smoking there would be greater failure in the market.”

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“Only a minority of responses **challenged the question** and suggested that without intervention to curb tobacco smoking there would be greater failure in the market.”

“Some excellent responses arose which remained **focused on the question** and offered both economic analysis in the form of good diagrams and **balanced evaluation.**”



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