



## Theme 2 Sample Essays [Free Version]

19-25 Buckingham Road, Edgware, HA8 6LY

0207 060 4494

[www.expert-tuition.co.uk](http://www.expert-tuition.co.uk)

Expert Tuition Managing Director, Ahmed Alaskary, has put this revision pack together to help students with their A-Level Economics revision. Ahmed has over 10 years experience teaching A-Level Economics, with a particular expertise in the Edexcel examination board.

This pack is intended to supplement a students learning and **should not** be used as an alternative to thorough revision of the specification. The intention is to show students how they can apply their knowledge to exam-style questions. The essays are a combination of amended past papers (adjusted for the new specification) and other questions based on the specification.

**We kindly ask that you do not distribute these notes.** Essay packs are also available for Theme 1, Theme 3, Theme 4 & Paper 3. To get your hands on a copy of any of these, please e-mail [enquiries@expert-tuition.co.uk](mailto:enquiries@expert-tuition.co.uk) or call us on 0207 060 4494. Please note, we offer block-purchase offers for schools and other educational establishments.

## Marks Breakdown<sup>1</sup>

5 Mark Question:

*Knowledge 1, Application 1, Analysis 3*

8 Mark Question:

*Knowledge 2, Application 2, Analysis 2, Evaluation 2*

10 Mark Question:

*Knowledge 2, Application 2, Analysis 2, Evaluation 4*

12 Mark Question:

*Knowledge 2, Application 2, Analysis 4, Evaluation 4*

15 Mark Question:

*Knowledge 3, Application 3, Analysis 3, Evaluation 6*

25 Mark Question:

*Knowledge 4, Application 4, Analysis 8, Evaluation 9*

---

<sup>1</sup> We strongly recommend that students familiarise themselves with the mark scheme and in particular, as part of their revision, read through Examiner Reports for questions they find difficult when studying.

**Evaluate the likely effects on the UK's current account of the balance of payments of changes in consumption, investment and the exchange rate of the pound sterling (£), as shown in Figures 1 and 2. [15] [January 2011]**

The current account on the balance of payments is made up of trade in goods; trade in services, investment income and net transfers. The UK runs a current account deficit as the cost of its imports exceeds the value of its exports.

According to Figure 1, consumption has fallen by 3% between 2008 and 2009. A fall in consumption is likely to result in a decrease in the level of imports. This is because British consumers will not only buy less domestic goods, but also less on goods and services from abroad. This is evidenced by the fact that imports have fallen by 13% in the same period. Also, given that stocks have fallen by 1906% there will be a negative wealth effect. Given this, consumer confidence and thus spending, will be low. The fall in imports can help to reduce the UK's current account deficit.

However, the impact on the current account depends on the marginal propensity to import. If demand for imports is inelastic, then consumers will continue to buy imported goods and will only reduce their consumption of domestic goods. Also, given that many of the UK's main trading partners in the EU have also experienced a fall in their GDP, demand for British exports are likely to have also fallen. According to Extract 1, exports have fallen by 11% and thus, although the current account deficit has been reduced, it is only a small decrease.

Investment has fallen by 14% between 2008 and 2009. A fall in investment could negative affect the UK's competitiveness as it's goods and services will look less attractive relative to other countries with a higher investment rate. As such, demand for British goods and services may decline causing exports to fall. If firms in other countries are offering goods and services that are higher quality, then British consumers will also switch to buying those goods. As such, the level of imports will also rise. The combination of falling exports and rising imports would worsen the UK's trade deficit.

However, the fall in investment may only be temporary. This is because the Bank of England has cut interest rates to 0.25%<sup>2</sup> and so investors can borrow at cheaper rates. Also, the UK government has cut corporation tax to 19%,

---

<sup>2</sup> I have used the current interest rate in my answer. The interest rate when this exam paper was written was 0.5%

which should also increase investment. Corporation tax is the tax placed on firms' profits and so, by reducing it, firms will have more profits which they can invest into the latest technology.

Between 2004 and 2009, the Pound Sterling depreciated relative to both the Euro and the US dollar. This would make the UK more price competitive relative to these countries as their currency can now buy more Pounds. Given this, exports should rise as US dollars can now buy more Pounds. At the same time, imports should fall as the Pound can buy less dollars and euros on the foreign exchange market. The combination of rising and exports and falling imports would help to reduce the UK's current account deficit.

However<sup>3</sup>, between 2008 and 2009, the Pound actually got stronger relative to the US dollar. As a result, it is difficult to determine whether the UK current account will improve, as they are more price competitive relative to the Eurozone but less price competitive relative to the USA.

---

<sup>3</sup> A2 students: you **must** evaluate this point with the Marshall Lerner condition and the J-curve

**Other essays in the pack include:**

- **With reference to Extracts A and B and your own knowledge, discuss whether the MPC should be concerned about the risk of deflation in the UK economy [15] [June 2016]**
- **Evaluate the use of supply side policies to increase economic growth in the UK [15]**
- **Evaluate clashes between macroeconomic policy objectives. [25]**
- **To what extent is the policy of reducing the ‘fiscal (budget) deficit’ (Extract 2, line 7) helping the government to achieve its macroeconomic objectives? [25] [June 2013]**
- **During the Global Financial Crisis, fiscal stimulus was used in many economies to aid economic recovery.**

**Evaluate the extent to which a fiscal stimulus package should be used to promote economic recovery in times of recession. [25]**

- **Evaluate the macroeconomic effects of the Bank of England’s monetary policies since 2008 [25]**

To purchase the pack, please e-mail [enquiries@expert-tuition.co.uk](mailto:enquiries@expert-tuition.co.uk) or call us on 0207 060 4494.

Prices<sup>4</sup>:

Theme 1	£15
Theme 2	£15
Theme 3	£15
Theme 4	£15
Paper 3	£15

All 5 Packs £50

---

<sup>4</sup> We offer block booking discounts for schools – please contact a member of our team for more detail