

H2 Economics (9570)

Theme 2: Markets — Exam Notes

A-Level 2027 Syllabus

Command Words and What They Require

Command Word

Define Give the precise meaning of a concept. Usually 1-2 marks. State the term and its key characteristics.

Command Word

Explain Give reasons why something happens or how it works. Usually 2-3 marks per point. Use the **DIEE** framework.

Command Word

Illustrate Provide a specific example or diagram to demonstrate a concept. Often requires a diagram (e.g., supply-demand curve with shifts).

Command Word

Analyse Break down a concept and examine its components in detail. Identify cause-effect relationships.

Command Word

Evaluate Make a judgement about the effectiveness or importance of something. Requires **balanced consideration** of advantages and disadvantages, strengths and weaknesses. Usually 8-12 marks for essay questions.

Command Word

Discuss Present arguments for and against, then reach a reasoned conclusion. Similar to evaluate but more exploratory.

Command Word

Assess Similar to evaluate—make a judgement based on criteria. Often requires comparison or ranking.

Command Word

To what extent Evaluate the degree or limit of something's validity or effectiveness. Requires strong evaluation component.

The DIEE Framework

For **explain** questions, use DIEE:

1. **Define:** Give the precise definition of the key concept

2. **Illustrate:** Use a diagram or specific example
3. **Explain:** Show the causal mechanism—why/how this happens
4. **Evaluate** (if required): Assess the significance or limitations

Exam Tip

DIEE in Action: Explain why a tax on cigarettes reduces consumption

1. **Define:** A tax is a levy imposed by government on goods/services.
2. **Illustrate:** [Draw supply-demand diagram showing leftward shift of supply]
3. **Explain:** The tax increases production costs, shifting supply left. Equilibrium price rises. At higher prices, quantity demanded falls (law of demand). For inelastic goods like cigarettes, consumers bear most of the tax burden.
4. **Evaluate:** Effectiveness depends on PED—if demand is inelastic, tax must be high to significantly reduce consumption.

Mark Allocation Patterns

Marks	Command Word	What examiners expect
1m	Define	Precise definition (1-2 sentences)
2m	Explain (simple)	One point with reason or mechanism
3m	Explain (complex)	One point fully explained with diagram/example
4m	Explain	Two points each with full explanation OR one point with detailed analysis
8-10m	Essay (evaluate)	3-4 well-developed points with evaluation, balanced arguments, conclusion
15m	Essay (full)	Introduction, 4-5 body paragraphs with analysis and evaluation, strong conclusion

Exam Tip

Golden Rules

- 1 mark = 1 sentence (roughly)
- 3-4 marks = develop 2-3 points
- Always link back to the question in every paragraph
- For evaluation, you need at least 2-3 evaluative points

Common Question Types

Diagram-Based Questions

These require accurate, well-labelled diagrams:

1. **Shift analysis:** Show how changes in determinants shift curves
2. **Tax/subsidy analysis:** Show new equilibrium, tax burden, DWL
3. **Elasticity analysis:** Show how elasticities affect curve slopes and outcomes
4. **Market failure diagrams:** Show MSB, MSC, MPB, MPC, externalities

Warning

Diagram Marks Usually 3-4 marks for diagrams. To earn full marks:

- Label axes correctly (P, Q)
- Label curves correctly (D, S, MSB, MSC, etc.)
- Show original and new equilibrium points
- Show shifts with arrows or new curves
- Indicate changes in P and Q

Essay Questions

Common themes for Theme 2:

1. **Government intervention:** Evaluate effectiveness of taxes/subsidies/price controls
2. **Market failure:** Explain causes and evaluate policies to address them
3. **Price mechanism:** Evaluate how price mechanism allocates resources
4. **Efficiency vs. equity:** Analyse trade-offs between efficiency and equity
5. **Elasticity applications:** Analyse how elasticities affect policy outcomes

Essay Structure

For 8-15 mark essays:

Introduction (2-3 marks)

- Define key terms in question
- Outline your approach/argument
- Signpost your evaluation stance

Body Paragraphs (6-10 marks)

Each paragraph should follow this structure:

Point + Evidence + Analysis + Evaluation

1. **Topic sentence:** State your main argument
2. **Evidence:** Define concept, provide diagram/example
3. **Analysis:** Explain **why** this supports your argument (causal mechanism)
4. **Evaluation:** Acknowledge limitations, counter-arguments, or conditions

Exam Tip

Paragraph Blueprint For an essay evaluating government intervention to correct market failure:

Paragraph 1: Taxes can reduce negative externalities

- Point: Taxes internalise external costs
- Evidence: Diagram showing MSC shift, new equilibrium
- Analysis: Tax = marginal external cost, producers now face true cost
- Evaluation: However, difficult to set optimal tax rate; may be regressive

Paragraph 2: Direct regulation may be more effective

- Point: Regulations can achieve desired outcome directly
- Evidence: Examples (emission standards, seatbelt laws)
- Analysis: Unlike taxes, regulations guarantee outcome
- Evaluation: But may stifle innovation; enforcement costs

Conclusion (2-3 marks)

- Synthesise your arguments
- Make a clear, reasoned judgement
- Relate back to the question

Warning

Common Essay Mistakes

1. No evaluation: Just listing pros/cons without judgement
2. No diagrams: Missing key diagrams for 2.1 and 2.3
3. Not linking to question: Every paragraph must answer the question
4. No balance: One-sided arguments lose marks
5. Poor time management: Spend 35-40 mins on Paper 2 essays

Timing Guide

Paper 1 (Case Studies)	
Total time	2h 30min (150 min)
Per case study	75 min
Per mark	1.25 min (roughly)
Paper 2 (Essays)	
Total time	2h 30min (150 min)
Per essay (15m)	40-45 min
Per essay (8m)	20-25 min
Reading time	10-15 min

Exam Tip

Time Allocation per Mark As a rough guide: 1 mark = 1.25 minutes
For a 15-mark essay:

- Planning: 5 min
- Introduction: 3 min
- 4-5 body paragraphs: 25 min (6 min each)
- Conclusion: 5 min
- Review: 2 min

Common Errors to Avoid

Content Errors

1. Confusing movement along with shift in curves
2. Confusing public goods with government-provided goods
3. Treating inequity as market failure
4. Forgetting that $MSB = MSC$ at social optimum
5. Not distinguishing between negative and positive externalities

Answering Errors

1. Not answering the question—staying on topic but not addressing the specific question
2. No diagrams when required (especially for 2.1 and 2.3)
3. One-sided evaluation—must have pros AND cons
4. No conclusion or weak conclusion
5. Using informal language or abbreviations

Diagram Errors

1. Not labelling axes (P, Q)
2. Not labelling curves (D, S, MSB, MSC)
3. Arrows pointing wrong direction
4. Showing shifts as movements along
5. Forgetting to show new equilibrium point

Key Formulas to Remember

Formula	Meaning
$PED = \frac{\% \Delta Q_d}{\% \Delta P}$	Price elasticity of demand
$YED = \frac{\% \Delta Q_d}{\% \Delta Y}$	Income elasticity of demand
$XED = \frac{\% \Delta Q_{dX}}{\% \Delta P_Y}$	Cross elasticity of demand
$PES = \frac{\% \Delta Q_s}{\% \Delta P}$	Price elasticity of supply
$Tax\ revenue = t \times Q$	Tax revenue calculation
DWL triangle	Deadweight loss from intervention/monopoly

Practice Question Templates

Template 1: Evaluate Government Intervention

"Evaluate the effectiveness of [tax/subsidy/price control] in addressing [market failure/inefficiency]."

Structure:

1. Introduction: Define key terms, outline evaluation criteria
2. Paragraph 1: How [policy] works (mechanism)
3. Paragraph 2: Advantages/effectiveness
4. Paragraph 3: Limitations/ disadvantages
5. Paragraph 4: Alternative policies or conditions
6. Conclusion: Balanced judgement

Template 2: Explain with Diagram

"Explain using a diagram, how [change in determinant] affects the equilibrium price and quantity."

Structure:

1. Define relevant curves (D, S)
2. Draw original equilibrium
3. Show shift (label which curve, which determinant)
4. Identify new equilibrium
5. Explain changes in P and Q
6. Evaluate significance (optional)

Template 3: Market Failure Evaluation

"Explain the causes of market failure and evaluate the policies the government can use to address them."

Structure:

1. Introduction: Define market failure
2. Body: 4-5 causes (public goods, externalities, asymmetric info, immobility, market dominance)
3. Body: For each cause, evaluate 1-2 policies
4. Conclusion: Which policies are most effective, why

Quick Reference: Theme 2 Key Concepts

Concept	Key Point
Price mechanism	Signalling, incentive, rationing functions
Equilibrium	Where $D = S$; no tendency to change
PED	% change in Q_d / % change in P ; determinants: substitutes, income proportion, necessity, time
Tax incidence	Less elastic party bears more burden
Social optimum	$MSB = MSC$; maximises welfare
Deadweight loss	Welfare loss when not at social optimum
Market failure	$MSB \neq MSC$ due to: public goods, externalities, info failure, immobility, dominance
Policy options	Taxes, subsidies, quotas, direct provision, regulations, education
Government failure	Intervention makes things worse due to: info problems, unintended consequences, political consider-

Last-Minute Exam Tips

1. **Read the question carefully:** Underline command words and key terms
2. **Plan before writing:** Spend 2-3 minutes planning your essay structure
3. **Start with a diagram:** If a diagram is relevant, draw it first—it earns marks and helps your analysis
4. **Use DIEE:** For every point you make, define, illustrate, explain, evaluate
5. **Keep paragraphs focused:** One main idea per paragraph
6. **Leave time for conclusion:** A strong conclusion can earn 2-3 marks
7. **If stuck, draw a diagram:** Even if you can't write, diagrams can earn partial marks

8. **Stay calm:** If you don't know one part, move on—you can still score well on other parts