20 Key Evaluation Points
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About these evaluation points

These are some of the most common evaluation points to know for A-level exams. There are 9 key microeconomics evaluation points and 11 key macroeconomics evaluation points.

Learning these points is not sufficient to do well in exams. You should learn other evaluation points, including for specific topics. But if you are stuck, think of these key points and see if they can help!

Best of luck with your A-level Economics and any exams you may have!

Key Evaluation Points

Microeconomics

Evaluation point	In which essays can we use this point?
The effect of a tax depends on the **price elasticity of demand** (PED) for the good being taxed. If the demand is price-inelastic, then the tax will lead only to a small fall in quantity and a larger rise in price. This would mean little effect on consumers' health. Sugar can be addictive and so is likely to have an inelastic PED, so the quantity of sugar consumed falls very little. So the tax is likely to be ineffective at improving consumer health.	Effect of a tax, subsidy, maximum price or minimum price. The price elasticity of supply and cross-price elasticities of demand can also be used.
But this depends on the **objectives** of the monopoly firm. The previous paragraph assumed firms maximised profits. For example if the monopoly firm is looking to maximise social welfare or has a satisficing objective looking to achieve an acceptable level of profit, the price set may be lower than p and hence the degree of social welfare loss may be reduced. For example if firms just maximise profits then workers may feel unfairly compensated and consumers ripped off, which could reflect badly on the firm's image and hence future sales.	Most market structure essays.
This depends on the **size of the firm**. If the firm grows too large there could be diseconomies of scale in some industries.	In response to economies of scale. Can be used in most market structure essays.

For example larger output could mean more difficulty monitoring employees, communicating within a firm or coordinating between different workers within the firm. In this case having one large firm could be undesirable, with higher long-run average costs. This could mean the quality of service is worse, and/or higher costs could be passed on to consumers in the form of higher prices.	
But this depends on the **government identifying the socially optimal level** of healthcare **correctly**. In practice it is difficult to estimate the size of externalities. The Government uses cost-benefit analysis to do this, including assumptions on the size of externalities and the value of productivity and human life, which may prove subjective. So state provision may underestimate the socially optimal level of healthcare, so a welfare loss from the externality still remains. This is government failure - when government intervention leads to a misallocation of resources.	Any externality argument leading to intervention (e.g. taxes, subsidies, max/min prices, regulations, state provision).
This depends on the **share of firm costs** that go towards energy. Some production lines may be more labour intensive than energy intensive, such as some services. Then energy costs are a low share of firm costs, so a higher price on energy does not affect these firms' costs as much. So there is less of a price rise for final goods, reducing the harm to consumer surplus. So industry dependence on energy means energy price rises hurt consumers only to some extent.	Any time a change in firm costs is discussed. E.g. taxes, subsidies, regulations, changes in input prices etc.

This depends on the **density of trade unions**. While 48.6% of public sector workers are in trade unions, only 12% of private sector workers are in trade unions in the UK. So a trade union in the private sector will have less bargaining power on average. For example, a strike in the private sector would not lead to many workers going on strike and hence may be less effective. So workers cannot raise their wages nor improve working conditions as much through trade union membership in some sectors.	Minimum wage, trade unions and also business objectives (whether firms need to cater more to worker objectives by satisficing).
These effects depend on how the **firm allocates its profits**. If profits go to dividends for shareholders instead of investment, this may reduce the extent of dynamic efficiency benefits. Apple allocates 25% of its profits to dividends, which is a relatively high share, reducing the amount available to invest in quality improvement or cost reduction. So consumers may benefit from dynamic efficiency to some extent.	Most market structure essays.
This depends on the **level** of the price cap. If the price cap is set too high, then the maximum price has little effect on preventing abuse of market power. This could occur because of **regulatory capture,** where regulators are incentivised to water down regulation because of a promise of future work with the regulator. Price caps can be effective in controlling market power if set correctly.	The level of a policy can be used with any policy, including taxes, subsidies, max/min prices, regulations. Regulatory capture is also a key evaluation point in and of itself.
This depends on the **time frame** considered. In the short run the PED for sugar may be inelastic due to addictive property. But the PED could change over time, as more substitutes may enter the market, in which case the PED would become more	All policies where elasticities matter. Supply and demand-side elasticities vary between the short run

elastic and the quantity fall would be greater for sugary drinks. This improves the effect of the tax consumers' health and reduces external harm. So taxes may be more beneficial in the long run than in the short run.	and long run. Can also be used in market structures such as monopolistic competition and perfect competition, where the market changes from the short run to the long run.

Other possible general evaluation points for microeconomics:

- Proportion of firms / consumers affected by a policy change or price change.
- Whether market solutions can prevent market failure (after analysing why market failure exists).
- What the government does with revenue raised from a tax or whether the government provides further support to counter the negatives of a particular policy.
- Whether particular assumptions hold e.g. for price discrimination, about consumer rationality etc.

Macroeconomics

Evaluation point	In which essays can we use this point?
This depends on the level of **spare capacity / position on the Keynesian LRAS curve**. If there is low spare capacity, then according to the Keynesian LRAS, a shift right in AD leads to no increase in real GDP. Intuitively the government may just be hiring workers from other firms, bidding up prices of raw materials and displacing private output and employment. In the UK unemployment is low (4.2% in	Any discussion of AD shifts; tradeoff between growth and inflation.

the three months to October 2021), signalling little spare capacity and so increasing government spending would only lead to higher inflation.	
This depends on the level of **interest rates** on government debt. Bank rate has risen following the Covid-19 pandemic recovery and stands at 5.25% as of March 2024. If the interest rate is high and remains high, then debt interest payments will be high, increasing the opportunity cost of borrowing and the risk of the government having to default. Governments will also need to raise taxes to a greater extent in the future to cover the cost of borrowing today, meaning more harm to future economic growth or future generations. So government spending, if borrowing funds it, comes at a greater cost if interest rates are high.	Fiscal policy mainly. But also can be used for monetary policy when discussing the zero lower bound on interest rates.
Whether the tax increase raises government revenue depends on the **position of the UK economy on the Laffer curve**. A corporation tax rise may reduce incentives to start or grow a business, reducing the size of the tax base and hence tax revenue. The UK Government does predict that tax revenue would rise by over £10bn a year because of the corporation tax rate rise. The effect of higher taxes on incentives may reduce the extent to which revenue increases.	Fiscal policy - effects of tax changes.
However this argument depends on the **proportion of AD** influenced by the corporation tax rate rise. Only firms making larger profits are facing a corporation tax rise. So firms making lower profits, for	Any AD shift. Also think about the proportion of firms or

example small businesses, are less likely to reduce their investment. Also consumption is the largest component of AD, making up roughly 60% of AD, not investment. So a given % fall in investment investment may have only a smaller effect on AD. Corporation tax rises are only likely to reduce AD to some extent.	consumers affected by a decision. Raising corporation taxes on firms making high profits will only affect a smaller number of firms.
However the success of devaluation depends on the **price elasticity of demand for imports and exports**. The Marshall-Lerner condition states that the sum of the PED of exports and the PED of imports must be above 1, for a devaluation to improve net exports. This is not guaranteed to hold if the exports and imports are very inelastic, for example if oil is a key export or import. Oil may be regarded as a necessity and so we would expect its demand to be inelastic, particularly in the short run. For an economy like Brazil, whose major exports include oil and other commodities, the PED for exports could be quite inelastic.	The effect of a change in the value of the currency on net exports. Elasticities are also relevant for the effect of tariffs.
This depends on the **size of the multiplier.** The formula for the multiplier is 1/1-MPC. Tax rates have been broadly rising in the UK, with the personal allowance being frozen. Moreover the marginal income tax rate is 45% for those earning above £125,140 per year. So the MPT, the marginal propensity to tax, is likely to be higher, reducing the size of the MPC and hence the multiplier and the extent of the AD shift. This means a smaller effect of an increase in investment on growth.	Any AD shift, particularly changes in investment, government expenditure or net exports.
Yet this depends on the **degree of government intervention**. If the government witnesses a productivity problem, it may engage in measures to boost productivity. This includes increased	Use in response to economic shocks e.g. cost rises or reduced AD.

infrastructure spending such as on HS2, or increased education and training for workers. This would increase productivity growth and allow LRAS to continue to grow. However with persistently low investment, the UK's productivity weakness has continued, suggesting there has not been enough government intervention to boost productivity.	
This depends on the **extent to which firms rely on foreign imports**. Firms may not make heavy use of foreign imports, for example because of national security concerns or the fact that some firms may need nearby plants to bring inputs quickly. This applies to the steel industry, where the US still has tariffs of up to 25% on some foreign steel producers. Then costs may remain high, reducing the extent of any AS shift, so the price level does not fall as much and real GDP does not increase as much. So globalisation is less beneficial for growth and inflation reduction in this case.	Depreciation, tariff or globalisation essays after discussing the effects of changing import prices on firm costs.
This depends on the **time frame**. While this may be possible in the short run, in the long run, a financial account surplus is not guaranteed. Low productivity growth means reduced economic growth rates and reduced return on investments due to low future demand. This could lead to an outflow of capital, risking investment in the UK. Moreover in the long term a financial account surplus means future returns to investments, for example profits and interest, leak abroad rather than remaining in the country's circular flow of income. So economies may not be able to rely on financial account surpluses to support current account deficits.	Short run versus long run can appear in different contexts, such as: J-curve and currency value changes, supply-side policies, the sustainability of current account deficits and more.

But this depends on the **level of consumer confidence**. If consumer confidence is low, then cutting taxes will increase consumption by less. This is because consumers, worried about whether they will keep their future jobs, may save extra money rather than spend, lowering the marginal propensity to consume. Consumers may be worried about the cost-of-living crisis and slow real income growth, with the UK in recession by the end of 2023 for example. Thus tax cuts may have limited effects on aggregate demand in a recession.	For any decision that affects consumers, such as interest rate changes, tax changes that affect consumers, etc. You can also discuss the level of business confidence for decisions that affect businesses. This includes interest rate changes and corporation tax cuts.
But this depends on **the cause** of the current account deficit. Suppose, instead of high aggregate demand, the current account deficit is caused by weak relative productivity growth. Then the current account deficit reflects poor international competitiveness and will also result in lower wages for domestic workers who are delivering a lower marginal revenue product of labour. As of 2022, the UK's productivity was about 16% below that of the US and Germany. So the cause of the UK current account deficit makes this deficit more concerning.	The cause can be used for current accounts, inflation, deflation and economic growth. It matters whether the cause is supply-side or demand-side.