

## **How to extend 25 marker KAA paragraphs**

(for Edexcel A Economics A Level)

There are two key ways to extend 25 marker KAA paragraphs to achieve the top level 4:

**1. Use high level diagrams:**

- a. This includes showing and explaining multiple curve shifts on the same diagram
- b. OR showing key areas on a diagram and referring to them in the text.

**N.B.** make sure to explain your high level diagram in the text

(e.g.why there are multiple shifts or refer to the key area)

**2. Extend the chain of reasoning.**

- a. For micro consequences, this often includes the SPIRES effects (for producers) and SQUARE effects (for consumers).  
Pick two or three points from each acronym to extend your KAA.
- b. For macro consequences, this often includes explaining the multiple shifts in the diagram, and referring to the effects on macroeconomic objectives, and whether those changes in macro objectives are beneficial or not.

Here are some more specifics:

### **Microeconomics**

	<b>High level diagrams</b>	<b>Extending the chain of reasoning for effects / consequences / impacts questions</b>
<b>Theme 1 (supply, demand, market failure, government intervention)</b>	<ul style="list-style-type: none"><li>• Supply / demand: show changes in consumer surplus or producer surplus.</li><li>• Tax: show consumer incidence and producer incidence.</li></ul>	This depends on whether discussing the effects on consumers or producers. For each KAA you could select two-three of the following.

	<ul style="list-style-type: none"> <li>• Subsidy: show consumer subsidy and producer subsidy.</li> <li>• externality: show welfare loss.</li> <li>• Price controls: show welfare loss or change in consumer / producer surplus.</li> <li>• <b>Note: theme 3 diagrams can be used in theme 1 25 markers. E.g. effect of oil price changes / taxes / subsidies on firms' costs and profits.</b></li> <li>• Following a shift in supply or demand, it is possible to show how the price mechanism responds on the diagram too.</li> </ul>	<p>Extending producer effects (SPIRES):</p> <ul style="list-style-type: none"> <li>• Surplus (producer surplus).</li> <li>• Profits.</li> <li>• Investment.</li> <li>• Related goods (substitutes / complements / inputs / outputs).</li> <li>• Employment.</li> <li>• Shut down conditions.</li> </ul> <p>Extending consumer effects (SQUARE):</p> <ul style="list-style-type: none"> <li>• Surplus (consumer surplus)</li> <li>• Quality</li> <li>• Utility</li> <li>• Affordability</li> <li>• Related goods (substitutes/complements).</li> <li>• Equality.</li> </ul> <p>Following a shift in supply or demand, it is possible to explain how the price mechanism guides the market from the old equilibrium to the new equilibrium.</p>
<b>Theme 3 (cost, revenue, market structures, etc.)</b>	<ul style="list-style-type: none"> <li>• Cost/revenue diagrams can show the level of <b>supernormal profit</b>.</li> <li>• When shifting the cost or revenue curves, can show the <b>supernormal profit before and after</b>.</li> <li>• Welfare loss can also be shown in monopoly style diagrams.</li> <li>• Labour market diagrams, with</li> </ul>	<p>For producer effects, use SPIRES + refer to dynamic efficiency, economies of scale and contestability.</p> <p>For consumer effects, refer to SQUARE + variety.</p> <p>For effects on workers, refer to:</p>

	labour demand or labour supply shifts, can show changes in (worker or firm) surplus or changes in the wage elasticity of labour demand or labour supply.	<ul style="list-style-type: none"> <li>• Workers' wages</li> <li>• Employment</li> <li>• Working conditions</li> <li>• Mobility of labour</li> <li>• Elasticities (wage elasticity of labour supply or wage elasticity of labour demand)</li> <li>• Whether workers move between occupations.</li> <li>• Surplus for the worker or firm.</li> </ul>
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## Macroeconomics

	High level diagrams	Extending the chain of reasoning for effects / consequences / impacts questions
<b>Theme 2 (macro objectives, fiscal/monetary/SSPs/tradeoffs)</b>	<p>The multiplier:</p> <ul style="list-style-type: none"> <li>• Show <b>multiple shifts in AD</b> to reflect the multiplier effect.</li> <li>• E.g. after an initial increase in I, G or X, this shifts AD right once. The multiplier effect shifts AD further to the right.</li> <li>• Make sure to explain the multiplier in words too.</li> </ul>	<p>Explain in words the multiple shifts shown in the diagram.</p> <p>Explain the effect on one or two macro objectives.</p> <ul style="list-style-type: none"> <li>• E.g. higher AD leads to higher economic growth. This increases the derived demand for labour, leading to higher employment.</li> </ul>

	<p>SRAS and LRAS both shift:</p> <ul style="list-style-type: none"> <li>• E.g. a supply-side policy that both increases productive capacity (shifting LRAS to the right) and lowers production costs (shifting SRAS to the right).</li> <li>• For example, improved rail infrastructure means workers spend less time commuting and can access jobs that better match their skills, increasing productivity and LRAS.</li> <li>• Higher productivity lowers average costs, shifting SRAS to the right.</li> </ul> <p>AD/LRAS both shift:</p> <ul style="list-style-type: none"> <li>• E.g. an increase in government spending on education.</li> </ul>	<ul style="list-style-type: none"> <li>• Objectives to link to could include: <b>economic growth, employment, inflation, current account / export competitiveness, budget balance</b>, inequality, and the environment.</li> </ul> <p>Explain a benefit or drawback of the change in macro objective:</p> <ul style="list-style-type: none"> <li>• E.g. higher economic growth means higher real incomes for households, who can afford more necessities and luxuries, increasing living standards.</li> <li>• Or higher inflation reduces purchasing power for those whose incomes rise more slowly than inflation, such as public sector workers. So they cannot afford to buy as many goods and services, so living standards fall.</li> </ul>
<b>Theme 4 (trade, exchange rates, development, fiscal policy extras, etc.)</b>	<p>Same points above on AS-AD diagrams also apply here.</p> <ul style="list-style-type: none"> <li>• AS-AD diagrams can be used for most theme 4 topics too.</li> <li>• For example in showing the effect of tariffs on AD/AS, the effect of a depreciation of the currency or the effect of development policy.</li> </ul> <p>Tariff diagram (with world supply)</p>	<p>Similar points as for theme 2. Explain shifts and link to macro objectives.</p> <p>For tariff effects, the effects on producers (surplus, profits, investment, employment) and consumers (surplus, quality, equality, choice) can also be considered.</p>

	<ul style="list-style-type: none"> <li>• Show key areas such as changes in producer surplus, consumer surplus or the welfare loss.</li> <li>• Then explain these in the text.</li> </ul> <p>Currency market diagram</p> <ul style="list-style-type: none"> <li>• Where appropriate, it is possible to show demand and supply curves for currencies shifting on the same diagram.</li> <li>• For example, suppose UK interest rates fall relative to US interest rates. Hot money flows out of the UK into the US, increasing supply of the £. Also, fewer investors are likely to put their funds in the UK in the future, reducing the number of people demanding the £.</li> </ul> <p>Other diagrams including crowding out, comparative advantage (showing gains from trade) and the Laffer curve could also be used.</p>	
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### **A note on other types of essays**

The information above applies in particular to 25 marker **consequence/effect/impact** essays, such as:

- Evaluate the impact of a monopoly.

- Evaluate the consequences of a minimum wage.
- Evaluate the effects of higher government spending.

However there are other types of essays. This includes:

- **Specific consequence/effect/impact questions.**
  - Evaluate the consequences of higher government spending **for economic growth.**
    - For this kind of question, you need to think of multiple chains of reasoning per paragraph that link back from government spending to the particular objective of economic growth.
    - For example, what are the multiple ways in which higher government spending can affect AD?
    - What are the multiple ways in which higher government spending on say infrastructure can affect LRAS?
- **Causes questions.**
  - Evaluate the **causes** of a rise in income inequality.
    - For **causes** questions, again consider multiple chains of reasoning to explain the point.
    - For example, consider the effect of globalisation on income inequality. Can you explain the ways in which globalisation increases incomes for some groups but leads to lower incomes for other groups?
    - See this model answer [here](#) for an example.
- Note for almost all questions, high level diagrams can also be used.