Introduction: the economist's toolkit and the CIE examinations

On completion of this introduction you should:

- have a broad idea of what is meant by Economics
- know how economists seek to explain economic phenomena
- be aware of the 'toolkit' of skills required for a study of Economics
- be aware of the requirements of the CIE Economics syllabus

What is Economics?

There are almost as many definitions of Economics as there are economists! Although a definition of the subject is to be expected, it is probably more useful at this stage to set out a few examples of the sort of issues which concern professional economists. These topics occur in an introductory form in the CIE Economics syllabus.

Let us take you first of all. Most people find that they want to lead an exciting and full life but unfortunately do not always have the money necessary to buy or to do all they want. So, choices have to be made, or as an economist would say, individuals have to decide:

- how to allocate their scarce resources in the most efficient way.

A body of economic principles and concepts has been developed to explain how people, and also businesses, behave in this situation. This is a typical example of what an economist would refer to as **microeconomics**.

It is not only individuals and firms who are faced with having to make choices. Governments face many such problems. For example, how does a country's government decide how much to spend on health or social security and how much should go into providing new roads and infrastructure for, say, tourism? This is the same type of problem facing all of us in our daily lives but on a different scale.

Governments also have extensive responsibilities in looking after the well-being of their national economies. The finance ministers, for example, prepare an annual budget for their economies, in which taxation and government expenditure plans are reviewed. It is also an opportunity to 'manage the economy' by seeking to ensure that policy objectives are being met. An economist would say that the finance ministers have to decide:

- how to keep the rate of change of prices (inflation) under control, or
- how to reflate the economy to increase the number of jobs that are available.

These are typical topics which come under the broad heading of **macroeconomics** since they relate to the economy as a whole.

As you read through this text you will come across many other economic problems and issues of both a micro and macro nature. You may now find it useful to complete self-assessment task 1 below.

SELF-ASSESSMENT TASK 1

1 Make a list, in your own words, of some of the economic decisions that:
   - you are facing
   - your family has to take
   - your country has to take.
2 Pick up any quality newspaper. Look through it systematically and make a note of the various
   - microeconomic
   - macroeconomic
   problems and issues you find.
   Did you find it easy to classify problems in this way?

The last part of the above task was designed to help you to appreciate that many economic problems and issues cannot be satisfactorily classified as micro or macro. In other words, such problems encompass both of the main branches of Economics. For example, an increase in taxation on petrol may reduce the demand for petrol. Depending on the extent of this, there is an effect on the income of individuals and the government and, in turn, this affects the economy as a whole. So, there can be complex interrelationships coming into play. This is one of the reasons that Economics is such an interesting subject to study.

As you read through this text, you will be introduced to concepts, theories and simple models which are used by economists to explain the many economic problems and issues that come within the scope of Economics. In time, you will build up a portfolio of such techniques, from a micro and macroeconomic perspective. Virtually all have their origin in some sort of practical investigation, i.e. a study of real economic phenomena. Some concepts have their origin centuries ago; others are much more contemporary or may have been refined and revised in the light of the growing complexity of the present-day global economy. Again, this serves to enhance the interesting nature of the study of Economics.

It is appropriate from the outset to attempt to give a clear definition of Economics. For a start, Economics is a social science – it adopts a scientific framework but is particularly concerned with studying the behaviour of humans as consumers, in business or in taking decisions about the economy as a whole. More specifically:

'Economics is the study of how scarce resources are or should be allocated.'

All of the problems and issues you will come across fit into this broad definition.

Regardless of what you may think about Economics and economists at this stage of your CIE studies, few would deny that Economics is a logical subject and that the advice provided by economists is derived from a set of well-established principles relating to the operation of the market economy. Figure 1 shows in simple terms how economists think and how they seek to explain real problems and issues like those you will have come across in the first self-assessment task.

At this stage, bear this process in mind and return to it whenever you are learning new concepts as it will help you understand how economists think and operate.

Economists cannot always be certain that what they say is completely accurate or how the advice they provide will affect an economy. Much of the content of this book consists of **positive statements** which are factual and usually acceptable to all economists. For example:
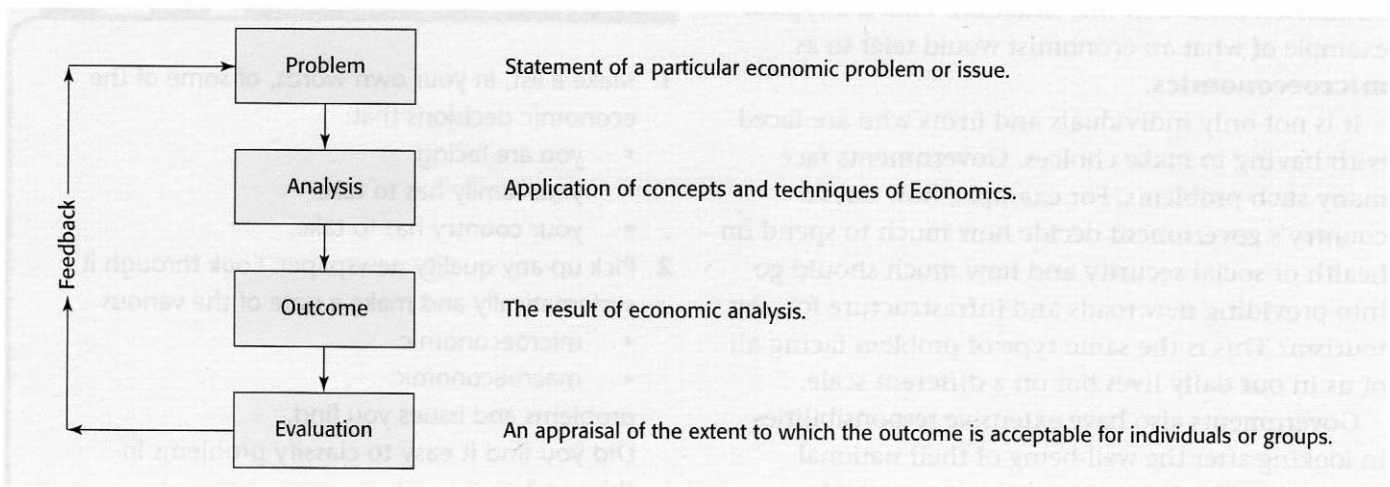

Problem	Statement of a particular economic problem or issue.
Analysis	Application of concepts and techniques of Economics.
Outcome	The result of economic analysis.
Evaluation	An appraisal of the extent to which the outcome is acceptable for individuals or groups.

Figure 1   *The road to economic explanation*

- the inflation rate in 2009 was 2.5%
- the inflation rate of 2.5% in 2009 had little impact on business confidence at a time of global recession.

On other occasions, economists make **normative statements** involving value judgements. For example:

- the government should cut fuel tax to reduce the rate of inflation
- public sector workers should reduce their demands for higher wages.

These latter statements express an opinion about what ought to happen. Unlike positive statements, where economists can use data and practical evidence, normative statements involve value judgements which are often drawn from the economist's personal views, political beliefs and ethics. As you study the content of the chapters, keep this important distinction in mind. You will also need to think about it when answering some of the more demanding CIE A Level examination questions.

It is now appropriate to give a fuller definition of Economics. We have established that Economics is a social science. More specifically, it is the study of how society provides for itself by making the most efficient use of scare resources so that both private and social welfare may be improved. Economics provides a framework for studying how individuals, households, firms, governments and global organisations behave and take a wide range of decisions.

Interest in Economics has never been stronger than it is at present. From mid 2008, the global economy was thrown into the most serious recession in modern times. The effects of the downturn have been worldwide. Rich, poor and emerging economies have all been affected. In turn, there has been a profound impact on the lives and economic well-being of people throughout the world. Billionaires such as Warren Buffet and Bill Gates through to families surviving on subsistence incomes in the poorest parts of Africa have experienced some sort of effect.

The following article from *The Economist* looks at one fundamental effect of global recession, the collapse of manufacturing. It is very clear when you read this article that manufacturing industries across the world have suffered badly. In some cases they are unlikely ever to recover. When you have read and thought about the article, see if you can answer some of the self-assessment task that follows. If not, you will find it useful to refer back to it once you have acquired a better knowledge of the subject.

SELF-ASSESSMENT TASK 2

Read the feature below and answer the questions that follow.

The collapse of manufacturing

The financial crisis has created an industrial crisis. What should governments do about it?

$0.00, not counting fuel and handling: that is the cheapest quote right now if you want to ship a container from southern China to Europe. Back in the summer of 2007 the shipper would have charged $1400. Half-empty freighters are just one sign of a worldwide collapse in manufacturing. In Germany, December's machine-tool orders were 40% lower than a year earlier. Half of China's 9000 or so toy exporters have gone bust. Taiwan's shipments of notebook computers fell by a third in the month of January. The number of cars being assembled in America was 60% below January 2008.

The destructive global power of the financial crisis became clear last year. The immensity of the manufacturing crisis is still sinking in, largely because it is seen in national terms – indeed, often

3

nationalistic ones. In fact manufacturing is also caught up in a global whirlwind.

Industrial production fell in the latest three months by 3.6% and 4.4% respectively in America and Britain (equivalent to annual declines of 13.8% and 16.4%). Some locals blame that on Wall Street and the City. But the collapse is much worse in countries more dependent on manufacturing exports, which have come to rely on consumers in debtor countries. Germany's industrial production in the fourth quarter fell by 6.8%; Taiwan's by 21.7%; Japan's by 12% – which helps to explain why GDP is falling even faster there than it did in the early 1990s. Industrial production is volatile, but the world has not seen a contraction like this since the first oil shock in the 1970s – and even that was not so widespread. Industry is collapsing in eastern Europe, as it is in Brazil, Malaysia and Turkey. Thousands of factories in southern China are now abandoned. Their workers went home to the countryside for the new year in January. Millions never came back.

Factories floored

Having bailed out the financial system, governments are now being called on to save industry, too. Next to scheming bankers, factory workers look positively deserving. Manufacturing is still a big employer and it tends to be a very visible one, concentrated in places like Detroit, Stuttgart and Guangzhou. The failure of a famous manufacturer like General Motors (GM) would be a severe blow to people's faith in their own prospects when a lack of confidence is already dragging down the economy. So surely it is right to give industry special support?

Despite manufacturing's woes, the answer is no. There are no painless choices, but industrial aid suffers from two big drawbacks. One is that government programmes, which are slow to design and amend, are too cumbersome to deal with the varied, constantly changing difficulties of the world's manufacturing industries. Part of the problem has been a drying-up of trade finance. Nobody knows how long that will last. Another part has come as firms have run down their inventories (in China some of these were stockpiles amassed before the Beijing Olympics). The inventory effect should be temporary, but, again nobody knows how big or lasting it will be.

The other drawback is that sectoral aid does not address the underlying cause of the crisis – a fall in demand, not just for manufactured goods, but for everything, because there is too much capacity (far too much in the car industry), some businesses must close however much aid the government pumps in. How can governments know which firms to save or the 'right' size of industry? That is for consumers to decide. Giving money to the industries with the loudest voices and cleverest lobbyists would be unjust and wasteful. Shifting demand to the fortunate sector that has won aid from the unfortunate one that has not will only exacerbate the upheaval. One country's preference for a given industry risks provoking a protectionist backlash abroad and will slow the long-run growth rate at home by locking up resources in inefficient firms.

Nothing to lose but their supply chains

Some say that manufacturing is special, because the rest of the economy depends on it. In fact, the economy is more like a network in which everything is connected to everything else, in which every producer is also a consumer. The important distinction is not between manufacturing and services, but between productive and unproductive jobs.

Some manufacturers accept that, but proceed immediately to another argument: that the current crisis is needlessly endangering productive, highly skilled manufacturing jobs. Nowadays each link in the supply chain depends on all the others. Carmakers cite GM's new Camaro, threatened after a firm that makes moulded-plastic parts went bankrupt. The car industry argues that the loss of GM itself would permanently wreck the North American supply chain. Aid, they say, can save good firms to fight another day.

Although some supply chains have choke points, that is a weak general argument for sectoral aid. As a rule, suppliers with several customers, and customers with several suppliers, should be more resilient than if they were a dependent captive of

a large group. The evidence from China is that today's lack of demand creates the spare capacity that allows customers to find a new supplier quickly if theirs goes out of business. When that is hard, because a parts supplier is highly specialised, say, good management is likely to be more effective than state aid. The best firms monitor their vital suppliers closely and buy parts from more than one source, even if it costs money. In the extreme, firms can support vulnerable suppliers by helping them raise cash or by investing in them.

If sectoral aid is wasteful, why then save the banking system? Not for the sake of the bankers,

certainly; nor because state aid will create an efficient financial industry. Even flawed bank rescues and stimulus plans, like the one Barack Obama signed into law this week, are aimed at the roots of the economy's problems: saving the banks, no matter how undeserving they are, is supposed to keep finance flowing to all firms; fiscal stimulus is supposed to lift demand across the board. As manufacturing collapses, governments should not fiddle with sectoral plans. Their proper task is broader but no less urgent: to get on with spending and with freeing up finance.

Source: The Economist, *21 February 2009*

1 What have been the causes of the collapse in global manufacturing?

2 Why might governments wish to support their manufacturing sectors?

3 Why does *The Economist* argue against such intervention?

The economist's toolkit

The economist has a varied toolkit, a term that can be used to describe the skills and techniques available for the analysis of economic problems. Two skills which are of particular relevance for the CIE examinations are:

- the ability to interpret and use data
- the ability to write in a clear and effective way.

Note: you may find it helpful to refer back to this section of the book intermittently when you are undertaking some of the self-assessment tasks. You should also refer back to this section before you take any of the CIE examinations.

Data skills

Five main skills are required in the CIE examinations. These skills are:

- the ability to pick out the main features in a data set
- how to calculate a simple average and know what it means
- a knowledge of trends and the rate of change in a set of time series data
- a working knowledge of index numbers

- how to interpret economic information produced in visual form.

In addition, you will find it useful to know how and why economists make forecasts.

It is important that you feel confident in handling data – these simple skills will help you. You will also gain confidence as you become more familiar with economic data and complete the various self-assessment tasks in each chapter.

Economic data are of two main types.

- **Time series data** As the name suggests, the same information is recorded over a period of time, namely a period of years, for months in a year, days in a week and so on.
- **Cross-sectional data** The easiest way to imagine this type of data is in terms of a 'snapshot', i.e. a picture taken at a given time.

Another important introductory point concerns the nature of the data itself. Again, two types can be recognised:

- **Discrete data** The simplest way to imagine this is in terms of values which are shown as whole

numbers, e.g. number of people or number of cars.

- **Continuous data** Such values can usually be measured in a precise way and are not confined to whole numbers, e.g. income, inflation or economic growth.

So, when you are confronted with economic data for the first time, ask yourself:

- Is the data shown a time series or cross-sectional data?
- Are the values of the data discrete or continuous?

Below are three further matters to consider; these are also important when you come across a data set for the first time, particularly in the time-constrained examination situation.

- **Title and source of data** The title should give you a clear guide as to what the data is about. A lot of economic data is from governmental or other official sources such as the World Bank. This should mean that it is accurate, although this may not necessarily be so. If the data has come from other sources, be wary about what it shows – it may have been produced in such a way as to make a particular viewpoint.
- **Estimates** Some data will be an estimate that has been made by the organisation responsible for collecting the data. This is often necessary as there is invariably a time lag in producing more accurate information. In other instances if no data has been collected or it is difficult to collect data then the organisation will produce an estimate.
- **Forecast** Economists rely heavily on forecasts in order to take policy decisions (see page 9). Therefore, key economic variables are often forecasted in order to assist this process. Such data is likely to be reasonably accurate but should never be taken to be precise.

Data skill 1 – How to pick out the main features in a data set

Look at the data in Table 1. This gives the average unemployment rates for 14 euro area members.

Country	Percentage
Austria	4.0
Belgium	7.2
Czech Republic	6.8
Finland	6.6
France	8.3
Germany	7.8
Greece	7.8
Ireland	9.6
Italy	6.7
Luxembourg	5.1
Netherlands	3.9
Portugal	7.8
Slovenia	7.8
Spain	14.8
Average euro area	8.2

Table 1 *Euro area unemployment rates in January 2009*
Source: Eurostat, 2009

The first skill you need to develop is what is known as 'eyeballing'. All this means is looking at a data set and going down the columns (or across the rows) very quickly to pick out the main features. This is a very useful thing to do, particularly in examinations when it could give you a clue as to what questions might follow.

Looking at Table 1, you can quickly see that there is a wide variation in average unemployment rates for euro area members in January 2009. Spain has the highest rate at around 15%, whereas unemployment was lowest in the Netherlands at less than 4%. For the two largest members, Germany and France, the average unemployment rate was just below and just above the euro area average.

The average of 8.2% shown is often used to summarise a particular set of data. In this case, it is what is known as a 'weighted average', the weights being the actual numbers of unemployed people in each of the 14 countries listed in Table 1. The weights are necessary since the populations of the countries are different. If they were all equal, the average would be the sum of all the percentages divided by 14.

The average, or mean, can be affected by extreme values. To some extent the use of weighting reduces this problem compared to a situation where all values have an equal weight.

Data skill 2 – How to pick out trends and the rate of change in a data set

Now look at the data in Table 2. This shows the annual percentage change in consumer prices and food and drink prices in Pakistan from 2000 to 2006. (As you will learn later the former is a good measure of inflation in an economy.)

This data set is a time series. You can get an overview of the data by looking at how it has changed on a year-to-year basis over the period.

	All items	Annual change	Food & drink	Annual change
2001	3.0		2.6	
		+		+
2002	3.7		3.2	
		+		+
2003	4.3		5.7	
		+		+
2004	9.8		12.2	
		–		–
2005	8.3		6.9	
		–		+
2006	7.4		10.5	

Table 2 *Average annual percentage change in consumer prices for high-income earners in Pakistan, 2001–2006*

Source: Pakistan Statistical Yearbook, *2008 (adapted)*

A closer look at Table 2 shows that:

- the annual percentage change in consumer prices is positive from 2001 to 2006
- it peaks in 2004
- food and drink prices are also rising on an annual basis, again with a peak in 2004
- there does not appear to be a clear relationship between the two sets of data.

For time series data like that in Table 2, you may find it useful to write a '+' or a '–' sign between each year, so that you can see how the rate of change varies over time. It is conventional to put these signs between the years in question. When you do this, you can see that the rate of change for 'all items' increased for the first three annual periods but then fell. The increase from 2003 to 2004 was particularly steep. The annual rate of change for food and drink prices followed a similar pattern except for 2005 to 2006 when it was positive.

A final word of warning. Consumer prices and food and drink prices have increased consistently since 2001. Inflation therefore has persisted, although in some years such as 2005 and 2006 the annual rate of change has fallen. This does not mean prices have fallen. It simply means that the annual rate of increase has slowed down. A common mistake that many students make when considering data like that in Table 2 is to wrongly assume that prices have fallen. This is not so.

Data skill 3 – A working knowledge of index numbers

With time series data especially, it is often helpful to show the data in index form, with a base year of 100. Thereafter, data for subsequent years is shown in the form of an index. This avoids some of the difficulties mentioned above when considering the rate of change in time series data.

To construct an index number:

- Identify a base year. This should be typical and is given an index of 100.
- Divide the base year data by 100. Use this figure to calculate an index number for each year of the data. For example, if a selection of goods bought in Pakistan cost 50 rupees in 2000 and 51.5 rupees in 2001, the respective indices will be as shown in Table 3.

When you do this, the data is transformed into what is shown in Table 3.

	All items	Food & drink
2000	100	100
2001	103.0	102.6
2002	106.8	105.9
2003	111.4	111.9
2004	121.4	125.5
2005	131.5	134.2
2006	141.2	148.3

Table 3 *Index of consumer prices for high-income earners in Pakistan, 2001–2006 (2000 = 100)*

An effective way of considering this form of data is to use a level and trend approach. Level is concerned with the difference between the start year and the final year. Trend refers to the year-to-year changes shown in Table 2 above.

So, the following additional points can now be made:

- Consumer prices rose by 41.2% over the period 2000 to 2006.
- Food and drink prices rose at above this rate for the period as a whole.
- Food and drink prices rose faster than the rate of inflation towards the end of the period, with the exception of 2005.

It could also be tentatively concluded that the effects of increasing food prices have not had too big an impact on high-income earners.

Data skill 4 – How to interpret economic information produced in a visual form

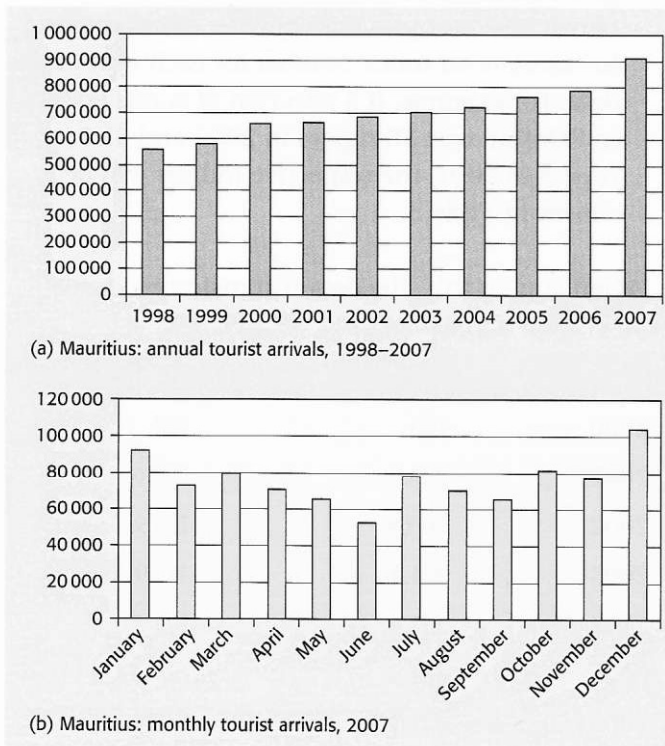Increasingly, economic information is produced in a visual form in the media. Figure 2 contains two examples of bar charts. Such representations are particularly effective for mapping out time series data. The basic principle is that the height of each bar represents the data shown on the vertical scale, in this case, tourist arrivals in Mauritius.

The value of bar charts is that it is possible to see at a glance changes in the level and trend. Figure 2a shows the annual numbers of tourist arrivals over a ten-year period from 1998 to 2007. What is quite clear is that the level of tourist arrivals has steadily increased over this period. A closer examination shows that the annual change was greatest from 1999 to 2000 and from 2006 to 2007. Between these two periods, the annual change was reasonably consistent.

Figure 2b adds a further dimension, namely that for one year, 2007, it shows that there have been monthly variations in tourist arrivals, a point not immediately obvious from the annual data alone. Tourist arrivals peaked in December and were lowest in June. The actual arrivals can easily be read off the vertical scale.

Figure 3 is an example of a pie chart. The basic principle behind its construction is that the respective shares are shown by the relative sizes of the slices of the pie. These shares are determined by allocating 360° for the overall total – the share of each segment is then determined by the following formula:

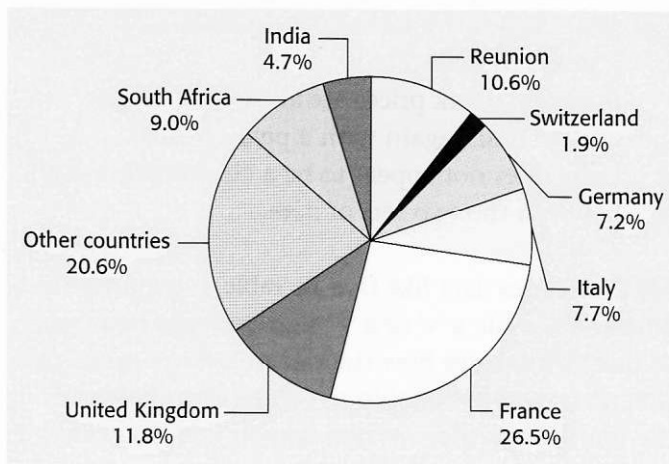$$\text{size of each segment} = \frac{\text{number in a given segment}}{\text{overall total}} \times 360°$$

(a) Mauritius: annual tourist arrivals, 1998–2007

(b) Mauritius: monthly tourist arrivals, 2007

Figure 2 *Mauritius: tourist arrivals, 1998–2007*

Figure 3 *Percentage distribution of tourist arrivals in Mauritius by country of residence, 2007*

So, for a total frequency of 200, a segment which has 50 observations in it will be represented by a 90° slice of pie.

Figure 3 shows the country of residence for tourist arrivals in Mauritius in 2007. As this shows, the largest percentage of tourists come from France. This percentage is over twice as large as arrivals for the second largest group by country, tourists from the UK. Very conveniently, Figure 3 shows the actual percentages in each segment. This is not always the case, but it is possible to make estimates from the relative sizes of each slice of the pie.

Students with access to Microsoft Excel will be able to produce a wide range of bar charts and pie charts with this software.

Newspapers and magazines such as *The Economist* increasingly represent economic information in highly attractive ways, combining various forms of representation. Figure 4 is a typical example.
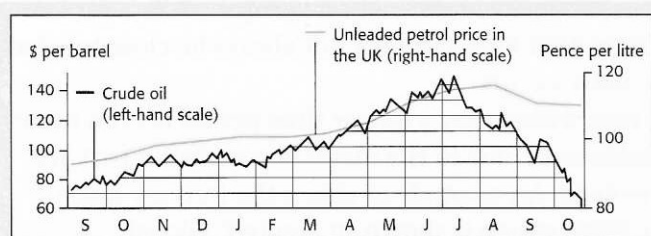
In October 2008 the Organization of the Petroleum Exporting Countries (OPEC) share of crude oil reserves was 78 per cent. On 24 October OPEC agreed to a cut in production of up to 3 million barrels of oil per day in a bid to halt the falling oil price.

Figure 4 *Oil – the crude facts: September 2007–October 2008*

Source: The Economist, *24 October 2008*

How and why economists make forecasts

One of the most important tasks of the professional economist, whether in government or private sector employment, is to be able to forecast future economic phenomena. Many economic variables are heavily dependent upon the state of the economy. For example, forecasts of economic growth are widely used by economists for all sorts of reasons related to economic policy and business well-being.

Study the information in Figure 4 and then answer the following questions.

1 a For the period September 2007 to October 2008 describe the trend in:
- world crude oil prices
- the price of unleaded petrol in the UK.

b What relationship (if any) can you see between these two variables?

c How is a 3 million barrels a day cut in OPEC's crude oil production likely to affect the world price?

d What might you deduce from Figure 4 about OPEC's success in determining the world price of fuel?

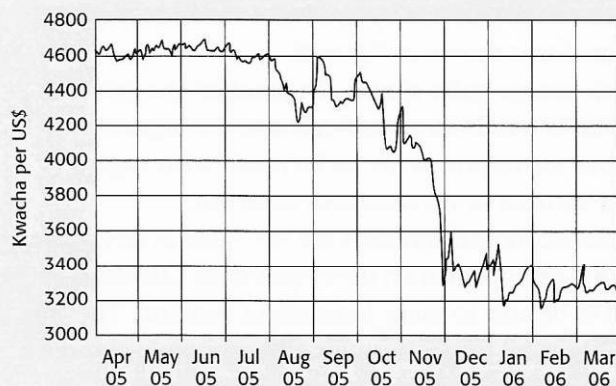**2** Study the information in Figure 5 and then answer the questions that follow.

Figure 5 *Zambian exchange rate (kwacha per US$), April 2005–March 2006*

Source: Adapted from *CIE Economics 9708 paper 2, May/June 2008*

a Describe how the Zambian exchange rate has changed against the US dollar between April 2005 and March 2006.

b In which month did the greatest change take place?

c Over the period shown in Figure 5 (April 2005–March 2006), the Zambian exchange rate has appreciated against the US dollar. This means that people in Zambia needed to spend less of their own currency for each US dollar. How might this appreciation affect the economies of Zambia and the USA? (You may wish to return to this question later.)

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Types of forecast

Economists use various types of forecasting method. These are the three main ones are:

- Statistical forecasts based on simple or complex future extrapolation techniques.
- Using models to produce a range of forecasts – this is particularly true of models of the economy involving complex interrelationships.
- Forecasts based on intuition, experience or even guesswork, i.e. not involving statistical methods.

Macro- and microeconomic forecasts

Finance ministers and other government officials find it essential to have estimates of projected variables such as the unemployment rate, inflation rate, balance of payments position and economic growth rate. These macroeconomic forecasts are required on a short-term basis (one year or less) or over a longer period of time. In the case of the unemployment rate, the importance of forecasting is shown in Figure 6.

This seems quite simple. In practice though the process is much more difficult and at stages 3 and 4 further assumptions are to be made with regard to other sources of revenue and taxation.

Microeconomic forecasts are not quite as obvious, but one example which develops out of Chapter 2 is the need to be able to make forecasts of demand. These are important for future business and economic planning.

Returning to Figures 2a and 2b on page 8, any business in the tourism sector has a need for a forecast of future numbers of tourists. This is by no means easy because of the many factors involved. We can get an idea of some of these from the general determinants of demand that are analysed in Chapter 2. They include:

- the average price of tourism in Mauritius
- the income of tourists
- the price of substitute destinations and the price of complements such as air travel

- a range of non-price factors that might determine whether tourists are attracted to Mauritius.

Looking at each of these factors, it is clear that a whole series of separate forecasts has to be made before an aggregate forecast can be made. These include:

- forecast inflation rates in Mauritius
- forecast economic growth rates in countries generating tourists for Mauritius
- forecasts of the costs of tourism in competing destinations and forecasts of the future cost of air travel
- alternative tourism destination and leisure options in the tourists' home market
- safety and security issues, health issues and so on, globally as well as in Mauritius.

As you can see, some of these are macroeconomic forecasts. So, in order to obtain what might appear to be a simple future estimate, access to a mass of other statistical information is required. It is for this reason that forecasts may not always be close to what actually occurs.

Forecasting over a longer time period is even more problematic due to the many uncertainties that are involved. An example of this is the forecast made in 2006, which is shown in Figure 7. Global recession in 2008–09, for example, could not have been foreseen. Revised forecasts would seem necessary. At best Figure 7 should be seen as providing a very broad indication of what might be the case in 2026.

How to write in a clear and effective way

It is beyond the scope of this book to include a lot of material in this part of the toolkit. However, much of the work of economists is communicated in a written manner, in books and newspaper articles in particular. For students, examinations in Economics
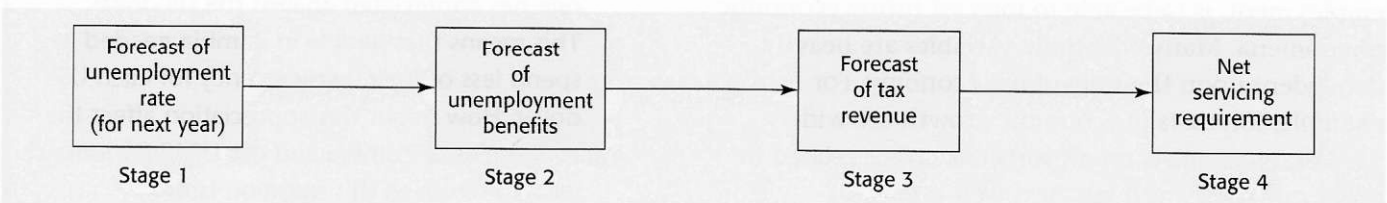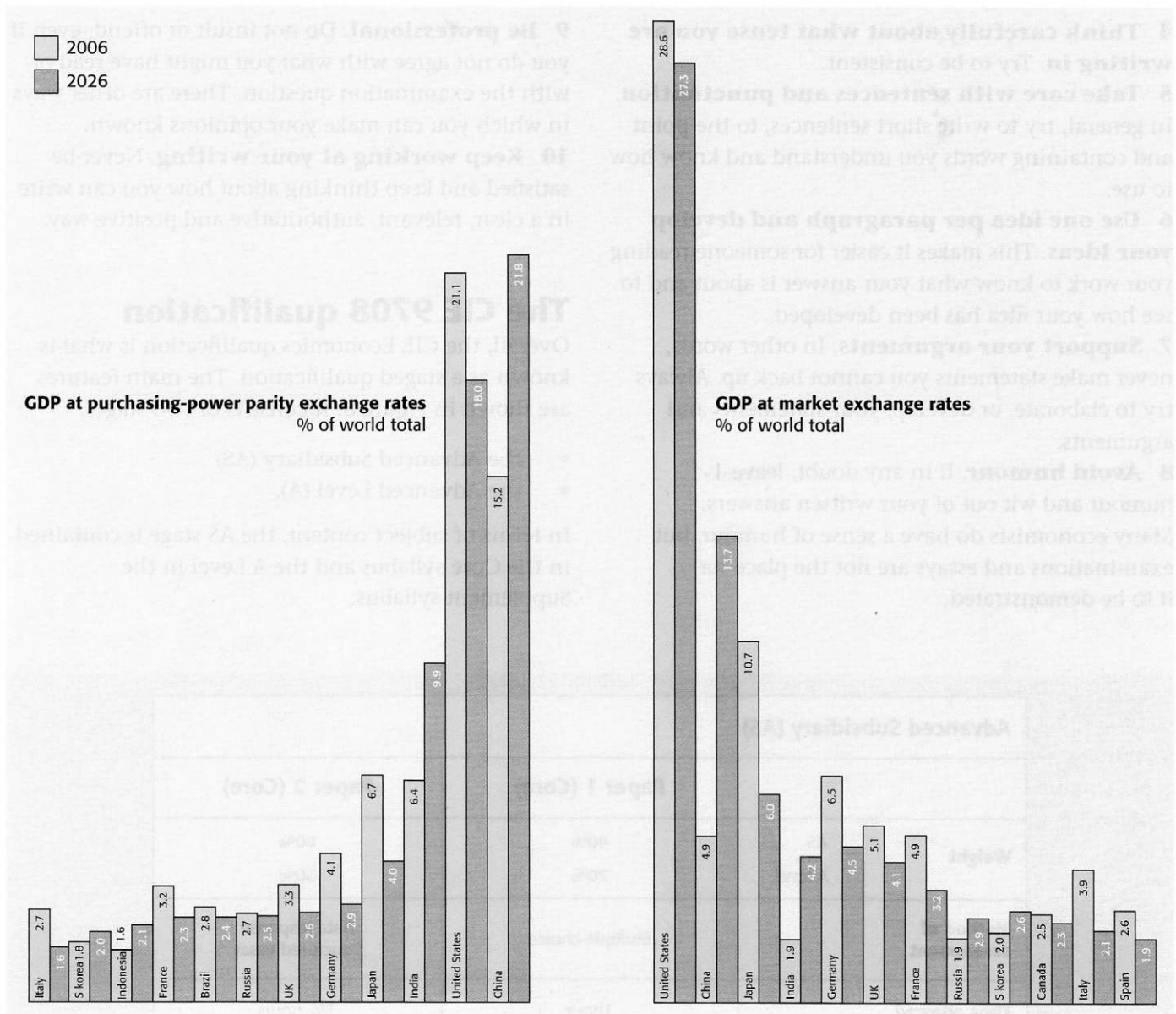
Figure 6 *Use of unemployment forecasts*

GDP at purchasing-power parity exchange rates
% of world total

GDP at market exchange rates
% of world total

Legend:
- 2006
- 2026

Figure 7 *Forecasts of GDP in 2026*
Source: Economist Intelligence Unit, 2005

require ideas to be communicated in a written form. The section on examination skills in Chapter 8 gives you very specific advice on how to impress examiners.

From a more general standpoint, you must always think about what you are writing and how you might improve your writing skills. You can enhance these skills by reading good newspapers, particularly if you read material which supports your A Level studies.

For the time being, you might like to think about the following Ten Tips for Budding Writers:

1 Be clear and precise in your writing. Use words you understand and when using technical terms, be specific. This is important because Economics has many terms which are very similar.

2 Remember to match your writing to your audience. In most cases this will be your teacher or a CIE examiner. They are likely to be older than you and will be looking to read material which is written in a relevant way and uses appropriate economic terms and concepts.

3 Write impersonally. In other words, do not use 'I' or 'we' in your written essays and examination answers. This applies particularly when you are asked to make an evaluation of an economic issue or argument.