

Cardinal Langley

RC Sixth Form



Preparing for A Level
Economics – student guide

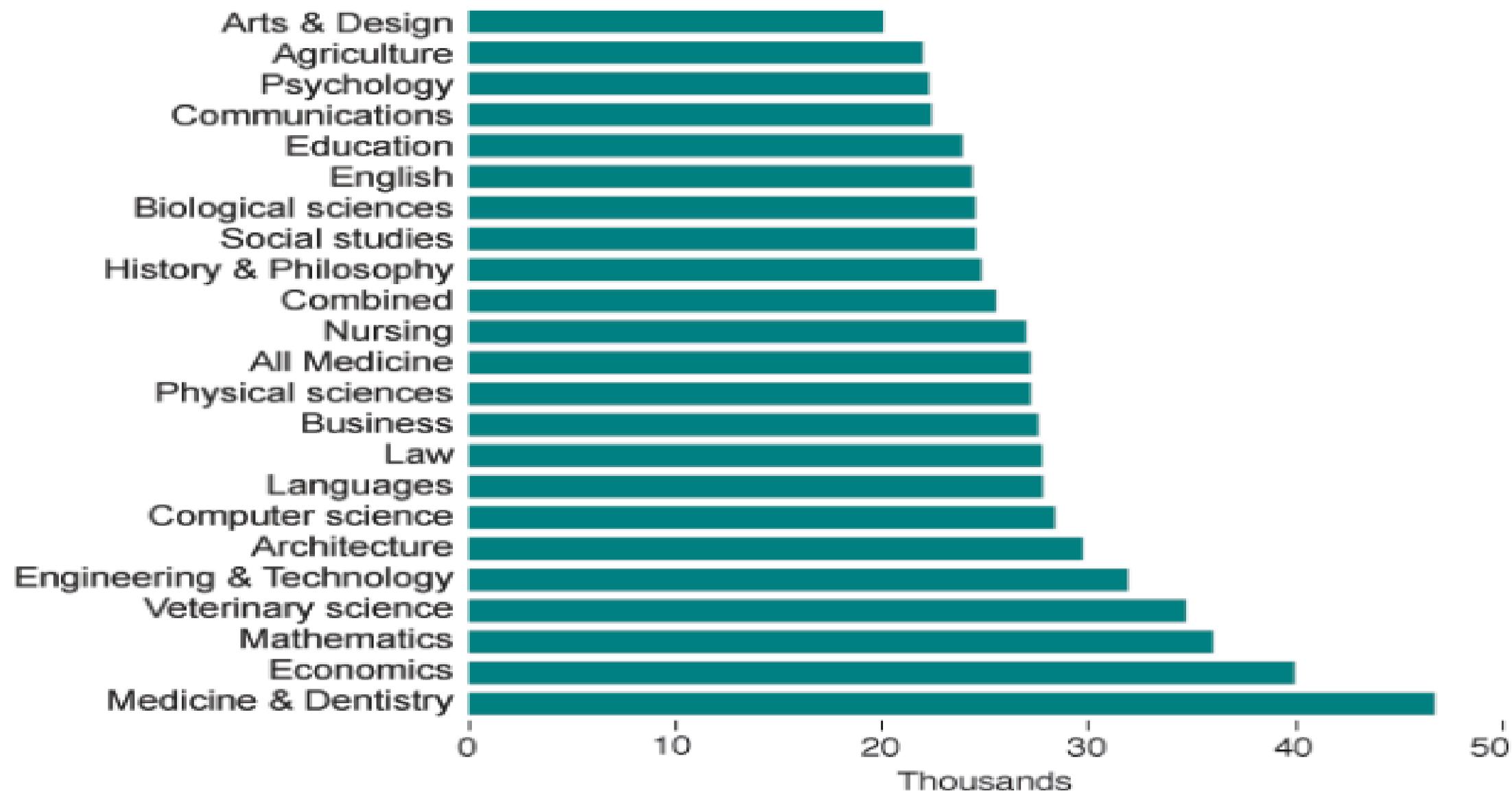
Introduction

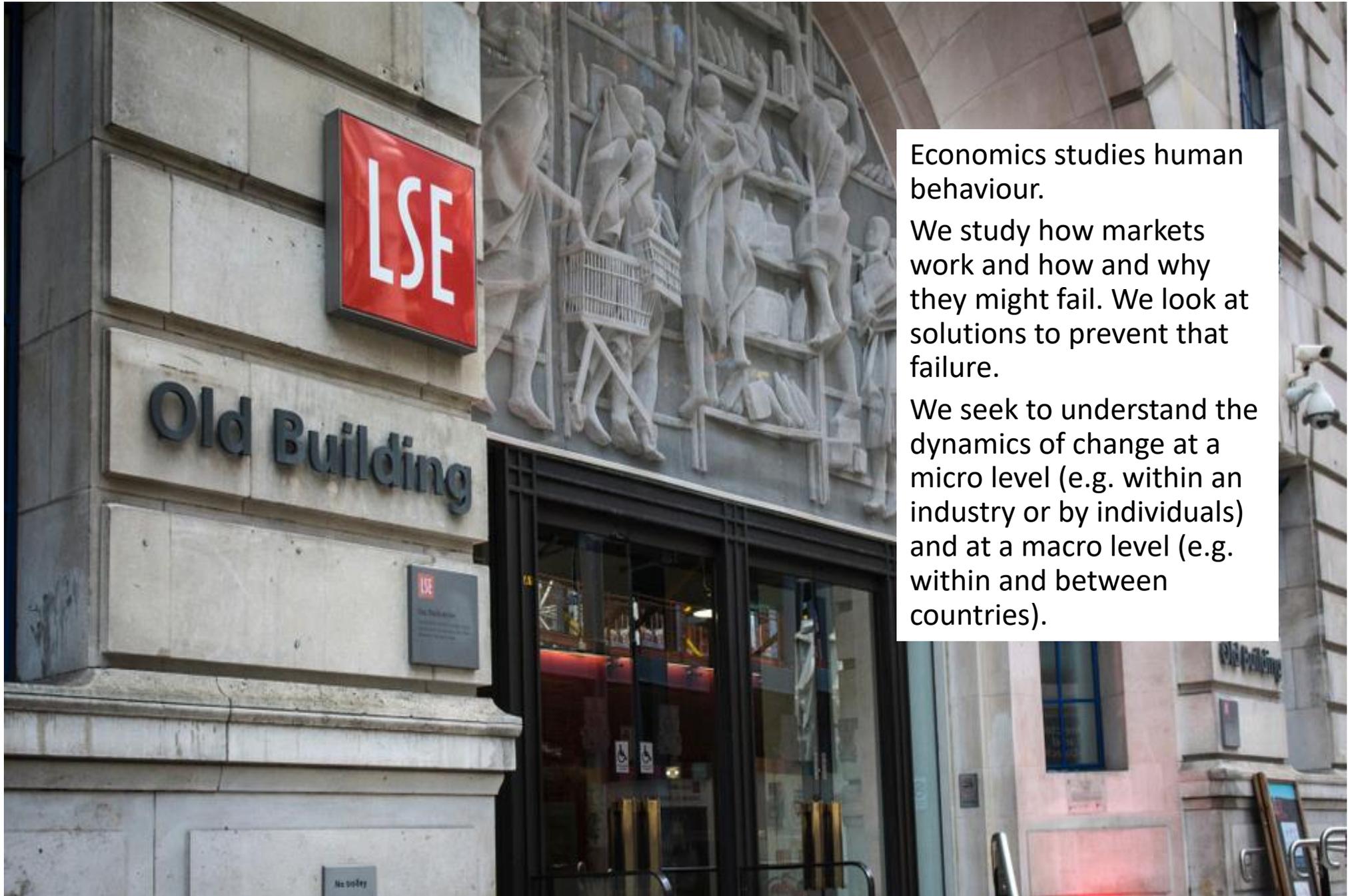
Thank you for considering Economics as one of your A Level Options. The Business and Economics department has a very proud record of producing consistently high academic results. This is only achieved through the dedication and hard work of both teaching staff and students. As part of your preparation for studying A Level Economics you are strongly advised to read the following course information and complete the recommended first unit of learning of the A Level course (using the materials enclosed and by watching the videos referred to). This will enable you to get a good feel for the course and the style of assessment used by the exam board.

Mr Toland – Teacher of A Level Economics

Which graduates earn the most?

Median annual earnings (£) by subject, five years after graduating





Economics studies human behaviour.

We study how markets work and how and why they might fail. We look at solutions to prevent that failure.

We seek to understand the dynamics of change at a micro level (e.g. within an industry or by individuals) and at a macro level (e.g. within and between countries).

Overview – Paper 1 – Markets and Market Failure (Microeconomics)

Microeconomics is the study of how and why businesses and individuals make choices given the basic economic problem of a scarcity of resources. By resources we mean things like land, materials, workers, time and money. When studying for this paper we will look at the following areas:

Individuals, firms, markets and market failure

- 1 Economic methodology and the economic problem
- 2 Individual economic decision making
- 3 Price determination in a competitive market
- 4 Production, costs and revenue
- 5 Perfect competition, imperfectly competitive markets and monopoly
- 6 The labour market
- 7 The distribution of income and wealth: poverty and inequality
- 8 The market mechanism, market failure and government intervention in markets

Overview – Paper 2 – The National and International Economy (Macroeconomics)

Macroeconomics is the study of how the economy works as a whole. We consider the causes and impact of things like inflation and unemployment, the advantages and disadvantages of international trade and the problem of an inevitable conflict between government economic objectives. When studying for this paper we will look at the following areas:

[The national and international economy](#)

9 [The measurement of macroeconomic performance](#)

10 [How the macroeconomy works : the circular flow of income, AD/AS analysis, and related concepts](#)

11 [Economic performance](#)

12 [Financial markets and monetary policy](#)

13 [Fiscal policy and supply-side policies](#)

14 [The international economy](#)

Overview - Paper 3

Synoptic Paper

Individuals and businesses (paper 1) and the rest of the economy (paper 2) do not act independently of one another. For example, unemployment is a macroeconomic problem in that it affects the whole economy, but it also clearly has impacts on businesses and individuals because it can lead to poverty and inequality, which are microeconomic problems. Paper 3 challenges us to combine all that is studied over the two years of the course, and to try and solve a problem that may impact on both the micro and macro economy. There is no additional studying for this paper; it is simply a chance for you to show off your knowledge and understanding of everything you have learnt over the course.

Summary Of Assessment

Paper 1: Markets and market failure	+	Paper 2: National and international economy	+	Paper 3: Economic principles and issues
What's assessed Content 1 – 8 above		What's assessed Content 9–14 above		What's assessed All content 1–14 above
Assessed <ul style="list-style-type: none">• written exam: 2 hours• 80 marks• 33.3% of A-level		Assessed <ul style="list-style-type: none">• written exam 2 hours• 80 marks• 33.3% of A-level		Assessed <ul style="list-style-type: none">• written exam: 2 hours• 80 marks• 33.3% of A-level
Questions <ul style="list-style-type: none">• Section A: data response questions requiring written answers, choice of one from two contexts worth 40 marks• Section B: essay questions requiring written answers, choice of one from three worth 40 marks		Questions <ul style="list-style-type: none">• Section A: data response questions requiring written answers, choice of one from two contexts worth 40 marks• Section B: essay questions requiring written answers, choice of one from three worth 40 marks		Questions <ul style="list-style-type: none">• Section A: multiple choice questions worth 30 marks• Section B: case study questions requiring written answers, worth 50 marks

All the question papers are compulsory

Assessment objectives (AOs) are set by Ofqual and are the same across all AS and A-level Economics specifications and all exam boards. We will be studying the AQA exam specification.

The exams will measure how students have achieved the following assessment objectives.

AO1: Demonstrate knowledge of terms/concepts and theories/models to show an understanding of the behaviour of economic agents and how they are affected by and respond to economic issues

AO2: Apply knowledge and understanding to various economic contexts to show how economic agents are affected by and respond to economic issues

AO3: Analyse issues within economics, showing an understanding of their impact on economic agents

AO4: Evaluate economic arguments and use qualitative and quantitative evidence to support informed judgements relating to economic issues.

As you can see from the table on the right, to get a good grade you need to be able to demonstrate good knowledge, application, analysis and evaluation in the final exams.

Weighting of assessment objectives for A-level Economics

Assessment objectives (AOs)	Component weightings (approx %)			Overall weighting (approx %)
	Paper 1	Paper 2	Paper 3	
AO1	5–8	5–8	7–10	20–23
AO2	7–10	7–10	9–12	26–29
AO3	9–11	9–11	6–9	26–29
AO4	7–10	7–10	5–8	22–25
Overall weighting of components	33.3	33.3	33.3	100

Yr13 - Typical Exam Timetable

Paper 1 – Markets and Market Failure

Monday 18th May 2020 (am)

2 Hours

Paper 2 – The National and International Economy

Tuesday 2nd June 2020 (pm)

2 Hours

Paper 3 – Synoptic Paper

Monday 8th June 2020 (am)

2 Hours

Exam Board Links

- A Level Economics Homepage

<https://www.aqa.org.uk/subjects/economics/as-and-a-level/economics-7135-7136>

- A Level Exam Question Command Word Glossary

<https://www.aqa.org.uk/resources/economics/as-and-a-level/economics/teach/command-words>

- A Level Specifications

<https://filestore.aqa.org.uk/resources/economics/specifications/AQA-7135-7136-SP-2015.PDF>

Tasks

Have a look at the following slides and resource videos (read the slides first!). By the end of it, you should be able to create a summary to answer all the questions at the end of the task. This would normally be the first independent learning task I set for my Year 12's in September, so if you are able to answer all or most of them now, you will have a great head start when we return!

<https://www.youtube.com/watch?v=W9IjktFC9Tg&list=PLWeicFreBUYCOFC2A0SIKrpEYgwaSF63t&index=2&t=0s> – The Basic Economic Problem

https://www.youtube.com/watch?v=eG-6_I9daA&list=PLWeicFreBUYCOFC2A0SIKrpEYgwaSF63t&index=38 – Positive and Normative Statements and Economic Methodology

Positive Economic Statements

www.economicshelp.org –

- A positive economic statement is a statement that can be verified true or false. For example, in the UK CPI inflation currently measures 4.5% OR in the UK the rate of unemployment has increased by 50% in the past three years.

www.tutor2u.net/economics

- Positive statements are **objective statements** that can be tested, amended or rejected by referring to the available **evidence**. Positive economics deals with **objective explanation** and the testing and rejection of theories. For example, if the government raises the tax on beer, this will lead to a fall in profits of the brewers. Other positive economic statements include:
 - The rising price of crude oil on world markets will lead to an increase in cycling to work
 - A reduction in income tax will improve the incentives of the unemployed to find work.
 - A rise in average temperatures will increase the demand for sun screen products.
 - Higher interest rates will reduce house prices
 - Cut-price alcohol has increased the demand for alcohol among teenagers

Focusing on the evidence is called adopting an **empirical approach** – evidence-based work is becoming more and more important in shaping different government policies and how much funding to give to each.

Normative Economic Statements

www.economicshelp.org –

- This is the expression of an opinion.
 - The Bank of England should not be concerned about the rise in inflation because it is due to temporary factors. Unemployment is more important than inflation in the current economic situation.
 - The Bank of England should increase interest rates soon to deal with the threat of inflation pressure in the UK.
- Both the above statements are value judgements, you can't prove it right or wrong by merely looking at statistics. Some economists believe the first statement, others believe the second statement is more valid.

www.tutor2u.net/economics

- A value judgement. A subjective statement of opinion rather than a fact that can be tested by looking at the available evidence. Therefore normative economic statements are subjective, rather than objective, statements. For example, pollution is the most serious economic problem OR unemployment is more harmful than inflation. Other normative statements include:
 - The congestion charge for drivers of petrol-guzzling cars should increase to £25.
 - The government should increase the minimum wage to £7 per hour to reduce poverty.
 - The government is right to introduce a ban on smoking in public places.
 - The retirement age should be raised to 70 to combat the effects of our ageing population.
 - The government should enforce minimum prices for beers and lagers sold in supermarkets and off-licences in a bid to control alcohol consumption

Clips on YouTube

1. <https://www.youtube.com/watch?v=aZEP1ii1Uml> Watch and make notes!

Decide whether each of the following are positive or normative economic statements:

	Statement	Positive	Normative
1	“Boris Johnson is a poor Prime Minister”		
2	“The war in Iraq was wrong”		
3	“The British Economy was worth £1300bn last year”		
4	“The only thing for certain in economics is that in the long run we are all dead” (John Maynard Keynes)		
5	“There are two types of economists: those that don’t know and those that don’t know they don’t know” (J K Galbraith)		
6	“Britain exported goods worth £20bn last month”		
7	“House prices increased by 32% last year”		
8	“Cardinal Langley is the best place to do your A levels”		
9	“Mr Toland is the best Economics teacher ever”		
10	“Mr Gillespie is a teacher of Business at Cardinal Langley”		

RECAP TASK

- In the space below, write a definition of a positive and a normative statement and provide two examples of each (without checking your earlier notes!) Then self assess.

Economics – The Social Science?

- Economics looks at both Positive and Normative statements. In Science, you are interested in Positive Statements – i.e ones that can be proved or disproved based on empirical evidence. In Humanities / Social subjects you may look more at opinions (Normative Statements). In Economics we look at both!

Economics – Recap

Economics is the study of how to allocate resources in the most effective way. The fundamental economic problem faced by the world is scarcity. How do we allocate scarce resources when there are numerous alternative uses.

Scarcity is a situation that arises because people have unlimited wants in the face of limited resources.

Q. What groups (Economic Agents) have to decide on the allocation of scarce resources?

What is an Economic Activity?

Purpose: Production of goods and services to satisfy people's needs and wants.

- NEED (Something people need to have necessary for human survival)
- WANT (Something people would like to have that is desirable to them)

Satisfying people's needs/wants means improving economic welfare (well-being/happiness of individuals etc)

What is an Economy?

- Economic resources are scarce whilst human wants are infinite. An economy is a system which attempts to solve this basic economic problem.
- WHAT is to be produced? (Output)
- HOW is production to be organised
- For WHO is production to take place for (who benefits)

Economic Welfare and Resources

Greater Consumption of material goods generally improves economic welfare

- However goods must be 'produced' (which uses up scarce resources)
 - Goods are therefore scarce in relation to demand



Capital and Consumer Goods

- **Capital goods (Used in Production Process)**

- Goods that are used to make consumer goods and services
- Capital inputs include fixed plant and machinery, hardware, software, new factories and other buildings

- **Consumer goods and services**

- Goods and services which satisfy our needs and wants directly
- There is a sub-division between:
 - i) **Consumer durables**: Products that provide a steady flow of satisfaction / utility over their working life (e.g. a washing machine or using a smartphone).
 - ii) **Consumer non-durables**: Products that are used up in the act of consumption e.g. drinking a coffee or turning on the heating)
 - iii) **Consumer services**: E.g. a hair cut or ticket to a show



Factors of Production (Factor Inputs)

Factors of production are the inputs available to supply goods and services in an economy (Outputs: Good/Services for sale in markets)

These are the resources provided by nature and include: Seas, Rivers, Forests, Deserts, Minerals, Gases. **What countries are rich in these resources?**

Land

Labour

People provide the physical and mental effort to make goods and services. It includes Manual workers, Skilled workers, Managers. **How is this linked to migration?**

This is the person who undertakes the responsibilities and risks of employing land, labour, and capital, and who decided how these resources are to be used, for example:

Enterprise

Capital

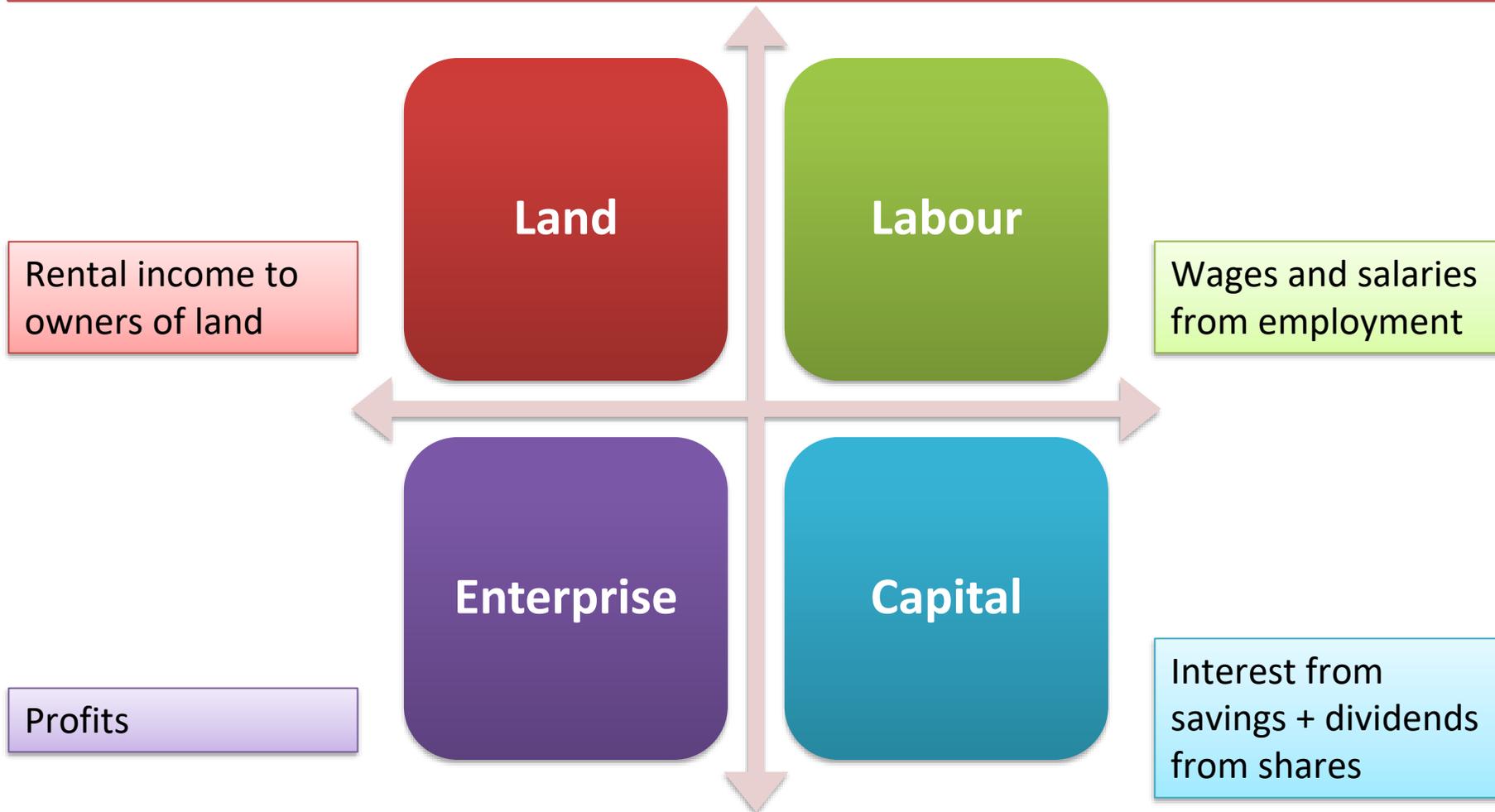
These are man made resources which are used to make many other goods and services, for example, Computers, Tools, Machines, Tractors, Ships, Factories.

Fixed capital includes machinery, plant and equipment, new technology, factories and other buildings.

Working capital refers to stocks of finished and semi-finished goods (or components) that will be either consumed in the near future or will be made into finished consumer goods

Factor Inputs and Factor Rewards

Factor rewards describe the incomes that flow to each of the main factors of production when they are brought into productive use.



Task

1. What are the factors of production used by a multi-national business e.g. Nike, McDonalds, Apple?
2. What do you think is meant by capital intensive production or labour intensive production?
3. Is it possible to improve the factors of production e.g. Make labour or capital better?

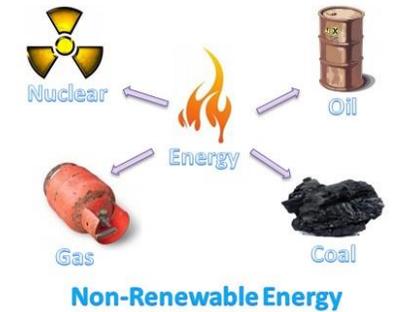
Resources

Renewable

- Reproducible and Maintainable
- Renewable Resources that (in theory) are replaceable and maintainable over time providing that the **rate of extraction** of the resource is less than the natural rate at which the resource renews itself. *Examples of renewable resources are solar energy, oxygen, biomass, fish stocks and forestry*
- Depends of management by humans (deforestation)

Non-renewable resources:

- Non-renewable resources are finite in supply (runs out as used)
- With plastics, crude oil, coal, natural gas and other fossil fuels, no mechanisms exist at present to replenish them
- The rate of extraction of finite resources depends in part on the current market price – for example, businesses with rights to extract will have a greater incentive to do so when prices are high because of the profit motive



Scarce Resources - The Environment

A scarce resource!

- Physical resources (soil, water, fisheries)
- Gases (hydrogen and oxygen)
- Abstract Resources (solar, wind, clean water)



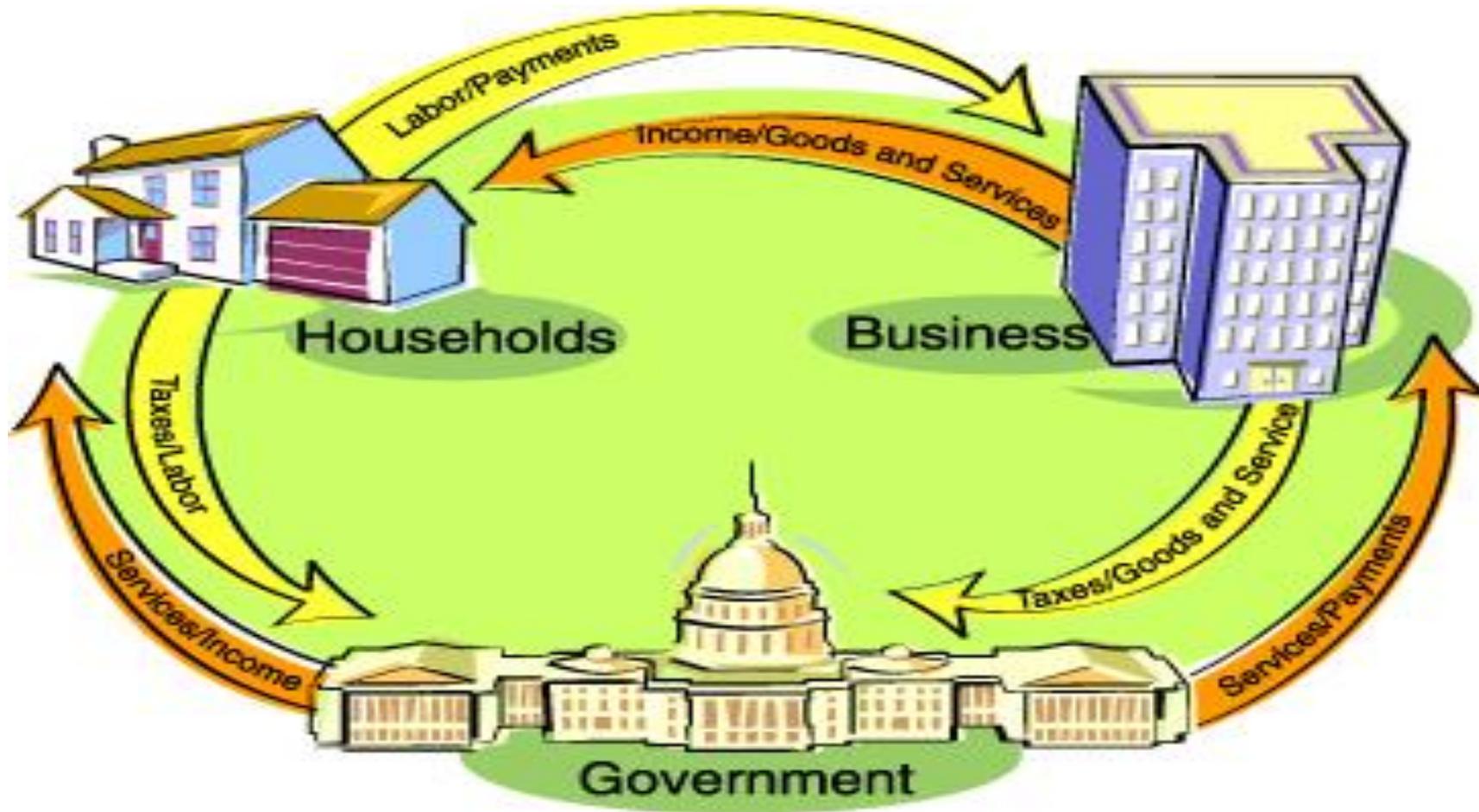
Recap: Economic Problem

- How best to make decisions about the allocation of scarce resources to maximise human happiness and welfare

What is Scarcity?

- People have unlimited wants but resources to meet these wants are limited including budget constraints and incomes.
- In economic terms: people would like to consume more than the economy can produce

Recap - Economic Agents



Different Ways of Rationing Scarce Resources



By Market Price



By Consumer
Income



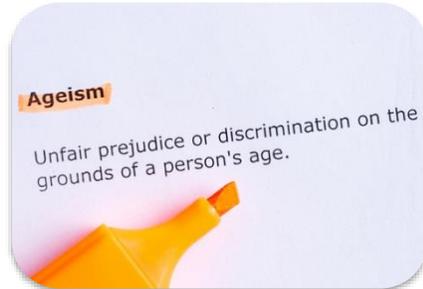
By Assessment of
Need



By Household
Postcode



By Education Level



By Age



By Gender



By Nationality

Rationing is a way of allocating scarce goods and services when market demand out-weighs the available supply.

Recap - Opportunity Cost

The opportunity cost of an item is the cost of the next best alternative, which is foregone when a choice is made.

e.g. When deciding how to spend your revision time you could choose to spend 1 hour Economics revision or 1 hour Maths revision. If you choose Economics the opportunity cost would be 1 hour of Maths revision.



Opportunity Cost: Scarcity and the Economic Problem

- Economic Problem: How best limited resources are allocated to meet peoples desires and wants.
 - This results from Scarcity
 - Which results from the need for Choice
 - Which creates an Opportunity Cost as a result

Free Market, Mixed and Command Economies

An economic system is a network of organisations used to resolve the problem of what, how much, how and for whom to produce



Free market

- Markets allocate resources
- Driven by the profit motive
- Limited role for state
- Private sector dominates



Mixed economy

- Mix of state and private ownership
- Government intervention in markets
- Mix will vary from country to country



Command economy

- Most resources are state owned
- Planning allocates resources
- Little role for market prices

Allocating Scarce Resources within an Economy

- Market Economy: Price mechanism (buyers and sellers prices arise from supply and demand) performs the allocative task
- Current UK Economy: Mixed Economy (Made up of Market/Non-Market, Private/Public Sector)

The Role of the State in a Mixed Economy

A mixed economy has a mix of private and public (Government) sectors

State-Owned Industries

- Businesses wholly or part state-owned – for example: Royal Bank of Scotland, Network Rail

Welfare State

- Broad range of welfare benefits
- Universal e.g. state pension
- Means-tested e.g. housing benefit

Government spending on public services

- Spending on education & health
- Capital spending on infrastructure

4.1.1 Economic Methodology & the Economic Problem			
Economic Methodology			
I understand that Economics is a social science & how it is similar & also different from other sciences			
I can explain the difference between positive & normative statements & give examples of both			
I can provide examples that show how value judgements can influence decision making in economics			
Nature and purpose of Economic Activity			
Be able to explain the basic economic problem			
I understand the term 'economic activity'			
I can explain what, how and for whom goods/ services should be produced			
Economic Resources			
I can define the term 'economic resources'			
I understand the different factors of production			
I understand the term 'scarce' (especially in relation to the environment)			
Scarcity, Choice and Allocation of resources			
I understand what an 'economic agent' is and can provide examples			
I understand choices have to be made by different economic agents to deal with problem of scarcity			
I understand what is meant by the term 'allocation of resources' & I understand the role of incentives in influencing choice			
I can provide a definition of the term 'opportunity cost'			

Wider Reading

Regularly accessing these resources will help develop your wider knowledge and understanding of the key principles of economics that affect us all on a local, national and worldwide basis:

- BBC News - <https://www.bbc.co.uk/news/business/economy>
- Manchester Evening News - <https://www.manchestereveningnews.co.uk/all-about/economy>
- Daily Mail - <https://www.dailymail.co.uk/money/index.html>
- Sky News - <https://news.sky.com/topic/uk-economy-5794>

Farewell

I hope that you enjoyed working through these tasks and gaining an insight into A Level Economics. The course is very different to GCSE study and requires dedication towards lesson attendance and independent completion of class notes / homework / wider reading / research tasks / revision etc... However, I have no doubt you will find A Level Economics an interesting and rewarding course. I look forward to seeing you in September.

Please do not hesitate to contact me if you require any further assistance with any of the tasks or you have any questions related to the A Level Economics course.

Mr Toland – Teacher of Economics

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