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**Introduction to**

**A-Level Economics**

**OKEHAMPTON COLLEGE**

**Economics**

**A Level**

**What is the subject about?**

The official definition is that economics is the study of “how resources are allocated”. The economy is the environment in which businesses, entrepreneurs, employees, governments and individuals operate. Economics examines choices made by all of these groups and what influences such decisions.

 Questions that the course will look at are:

• What caused the global recession and what are the strategies for getting us out of it?

• Why do we have an inequality of wealth across the nation and globe?

• What determines house prices?

• How can governments influence the economy?

• What determines wage rates for different jobs?

• How do we measure a nation’s economic performance?

**How is the course assessed?**

The course is assessed purely by exams – 3 at the end of Year 13 for the A Level. These exams combine multiple choice theory questions, essay style questions and data response questions. The latter is where you are given a set of information (graphs, data etc.) and you have to use it to answer questions and draw conclusions.

**What skills will I need and develop in this course?**

You do not need prior knowledge of economics to take the AS course but you do need good numeracy and literacy skills (hence the entry requirement of B or above in GCSE Maths and English). You also need a strong work ethic and have a genuine interest in the news and current affairs. You will need learn key economic terms and concepts and be able to apply them to given situations.

**What can the course lead to in terms of higher education and future careers?**

**Why is economics a useful subject to study?**

Economics develops a range of generic skills such as research, data handling, applying theoretical concepts to real life scenarios, essay writing and problem solving. The subject itself gives students a good knowledge of current affairs and is very well respected by universities and employers as a solid academic course. The diagram below illustrates the many fields that the subject can lead to.

**Careers that economics can lead to include:-**

As with all A-Level courses it is important that all students pass a **probationary period** to ensure their suitability for the course. To ensure that you pass this probationary period you must:

* Gain the GCSE entry grades (5 or more Level 5’s including a grade 6 or higher in Maths and English)
* Complete the 6 questions in the ‘Summer Tasks’ section of this booklet to an appropriate standard.
* Pass the Introductory test to be held in October.

**Summer Tasks - 2020**

***Section A – Macro Economics***

Your task is to complete the following questions using the given sources or any other suitable ones that you find independently. Ensure that you don’t copy and paste any text directly as all work must be in your own words to demonstrate understanding.

Please read this link before answering the questions:

<http://www.bbc.co.uk/news/business-13200758>

1. What is meant by the term economic indicator?
2. What is meant by the term Gross Domestic Product (GDP)?
3. Calculate the percentage change in UK GDP between 2008 and 2010.

2008 = $2810.971 bn 2010 = $2173.154 bn

1. Why do you think the UK figures above are expressed in US Dollars?
2. Use the following link to look at the UK figures for GDP Growth Rate.

<https://tradingeconomics.com/united-kingdom/gdp-growth>

Just above the graph click 25Y. This will show you the GDP change for the last 25 years.

 You will notice that something happened in 2008/9. This was the credit crunch recession.

Research and explain what happened and why GDP growth was negative. Also find what happened to the following indicators around that time:

Unemployment rate - <https://tradingeconomics.com/united-kingdom/unemployment-rate>

Inflation - <https://tradingeconomics.com/united-kingdom/consumer-price-index-cpi>

Business Confidence - <https://tradingeconomics.com/united-kingdom/business-confidence>

1. What has happened to GDP as a result of the COVID pandemic? Explain why.
2. Explain what is meant by the term interest rates and say why you think interest rates have been set at a rate of 0.1% (an all-time historic low)

***Section B – Micro Economics***

Read the following section taken from <https://www.economicsonline.co.uk/Behavioural_economics/Introduction-to-behavioural-economics.html>

Introduction to behavioural economics

Behavioural economics attempts to understand the effect of individual psychological processes, including emotions, norms, and habits on individual decision-making in a variety of economic contexts.

Homo economicus

All economic behaviour involves decision-making by individuals, and traditional (neo-classical) theories of economic behaviour assume that economic agents apply rational thought to each and every decision to achieve the maximisation of personal benefit (utility) or, in the case of producers, the maximisation of profits. The assumption of the rational individual (‘economic man’ or *homo economicus*) is central to most micro-economic theory, and can be seen most clearly in [**marginal analysis**](https://www.economicsonline.co.uk/Competitive_markets/Demand_curves.html). Marginal analysis suggests that economic agents carefully weigh-up the expected costs and benefits of alternative decisions based on accurate information, and select the option that maximises their personal gain. In other words, individual economic agents are driven by self-interest, and if all agents are driven by self-interest based on all the information they have, each marginal decision will be rational.

This idea underpins the theory of how markets work to allocate scarce resources, and is the basis of micro-economics, yet the real world seems full of examples of where decision making does not seem rational, nor in the individual’s self-interest. The cases of cigarette smoking, over-eating, and failing to save enough for retirement are just a few of the apparently irrational decisions routinely made by individuals across the developed world. Behavioural economics challenges the long held view in mainstream economics that individuals are ‘unemotional’ maximisers who make rational decisions – rational actors being identified as *homo economicus*. It also offers suggestions as to how individuals can be ‘nudged’ towards more effective decision-making.

Challenging the assumptions of traditional economics

Behavioural economists identify at least three questionable assumptions contained in traditional theory.

1. That individuals make decisions based on ‘[**unbounded (unlimited) rationality**](https://www.economicsonline.co.uk/Behavioural_economics/Bounded_rationality_and_self_control.html)’ accurately processing all the information at their disposal.
2. They the use ‘unbounded willpower’ to convert wants into actions and consumption (or production), and have absolute self-control when confronted with choices. In other words, they can resist making ‘poor’ choices.
3. They are driven by ‘unbound selfishness’ to achieve maximum benefit for themselves
4. What is the main difference between traditional economic thinking about how consumers and people make decisions compared to behavioural economics?
5. Research what is meant by nudge theory then produce a PowerPoint slide show giving at least 6 examples of nudge theory in action. Include a picture to illustrate each idea along with a short explanation as to what is happening and how it seeks to adjust consumers/peoples’ decision making.

Any problems then send me an e-mail – see you in September!

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The syllabus content is on the pages below if you wish to look through it.

Syllabus (AQA 7135/6)

Subject content

[**Individuals, firms, markets and market failure**](http://www.aqa.org.uk/subjects/economics/as-and-a-level/economics-7135-7136/subject-content-a-level/individuals%2C-firms%2C-markets-and-market-failure)

* 1 [Economic methodology and the economic problem](http://www.aqa.org.uk/subjects/economics/as-and-a-level/economics-7135-7136/subject-content-a-level/individuals%2C-firms%2C-markets-and-market-failure#The_economic_problem_and_economic_methodology_1_1_1)
* 2 [Individual economic decision making](http://www.aqa.org.uk/subjects/economics/as-and-a-level/economics-7135-7136/subject-content-a-level/individuals%2C-firms%2C-markets-and-market-failure#Individual_economic_decision_making__1_1_2)
* 3 [Price determination in a competitive market](http://www.aqa.org.uk/subjects/economics/as-and-a-level/economics-7135-7136/subject-content-a-level/individuals%2C-firms%2C-markets-and-market-failure#Price_determination_in_a_competitive_market_1_1_3)
* 4 [Production, costs and revenue](http://www.aqa.org.uk/subjects/economics/as-and-a-level/economics-7135-7136/subject-content-a-level/individuals%2C-firms%2C-markets-and-market-failure#Production_costs_and_revenue_1_1_4)
* 5 [Perfect competition, imperfectly competitive markets and monopoly](http://www.aqa.org.uk/subjects/economics/as-and-a-level/economics-7135-7136/subject-content-a-level/individuals%2C-firms%2C-markets-and-market-failure#Perfect_competition_imperfectly_competitive_markets_and_monopoly_1_1_5)
* 6 [The labour market](http://www.aqa.org.uk/subjects/economics/as-and-a-level/economics-7135-7136/subject-content-a-level/individuals%2C-firms%2C-markets-and-market-failure#The_labour_market_1_1_6)
* 7 [The distribution of income and wealth: poverty and inequality](http://www.aqa.org.uk/subjects/economics/as-and-a-level/economics-7135-7136/subject-content-a-level/individuals%2C-firms%2C-markets-and-market-failure#The_distribution_of_income_and_wealth_poverty_and_inequality_1_1_7)
* 8 [The market mechanism, market failure and government intervention in markets](http://www.aqa.org.uk/subjects/economics/as-and-a-level/economics-7135-7136/subject-content-a-level/individuals%2C-firms%2C-markets-and-market-failure#The_market_mechanism_market_failure_and_government_intervention_in_markets_1_1_8)

[**The national and international economy**](http://www.aqa.org.uk/subjects/economics/as-and-a-level/economics-7135-7136/subject-content-a-level/the-national-and-international-economy)

* 9 [The measurement of macroeconomic performance](http://www.aqa.org.uk/subjects/economics/as-and-a-level/economics-7135-7136/subject-content-a-level/the-national-and-international-economy#The_measurement_of_macroeconomic_performance_1_2_1)
* 10 [How the macroeconomy works : the circular flow of income, AD/AS analysis, and related concepts](http://www.aqa.org.uk/subjects/economics/as-and-a-level/economics-7135-7136/subject-content-a-level/the-national-and-international-economy#How_the_macroeconomy_works_the_circular_flow_of_income_AD_AS_analysis_and_related_concepts_1_2_2)
* 11 [Economic performance](http://www.aqa.org.uk/subjects/economics/as-and-a-level/economics-7135-7136/subject-content-a-level/the-national-and-international-economy#Economic_performance_1_2_3)
* 12 [Financial markets and monetary policy](http://www.aqa.org.uk/subjects/economics/as-and-a-level/economics-7135-7136/subject-content-a-level/the-national-and-international-economy#Financial_markets_and_monetary_policy_1_2_4)
* 13 [Fiscal policy and supply-side policies](http://www.aqa.org.uk/subjects/economics/as-and-a-level/economics-7135-7136/subject-content-a-level/the-national-and-international-economy#Fiscal_policy_and_supply_side_policies_1_2_5)
* 14 [The international economy](http://www.aqa.org.uk/subjects/economics/as-and-a-level/economics-7135-7136/subject-content-a-level/the-national-and-international-economy#The_international_economy_1_2_6)

Assessments

| Paper 1: Markets and market failure |
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| **What's assessed**Content 1–8 above |
| **Assessed*** written exam: 2 hours
* 80 marks
* 33.3% of A-level
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| **Questions*** 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
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| Paper 2: National and international economy |
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| **What's assessed**Content 9–14 above |
| **Assessed*** written exam 2 hours
* 80 marks
* 33.3% of A-level
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| **Questions*** 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
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| Paper 3: Economic principles and issues |
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| **What's assessed**All content 1–14 above |
| **Assessed*** written exam: 2 hours
* 80 marks
* 33.3% of A-level
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| **Questions*** Section A: multiple choice questions worth 30 marks
* Section B: case study questions requiring written answers, worth 50 marks
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