



**Bishop Challoner
Catholic College**

ECONOMICS A-LEVEL TRANSITION PACK

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Course Introduction

This transition pack will provide you with a brief outline of the course structure and some reading material to start you off. You may wish to use these sources before and throughout the course to improve your wider understanding. This pack also contains a series of tasks that will provide you with an insight into the course and the kinds of things you will be doing.

Economics is a challenging, technical and highly engaging subject that will immerse you in current and topical issues. You will also personally get more out of the course if you have a good understanding of the prevailing economic climate in the UK, across Europe and in a global context. This pack gives you some ideas of how you can keep up to date.

Studying economics will help you understand why prices change, where your taxes go, how the government formulates policies, why some companies dominate markets, how global or societal changes like Coronavirus and ageing populations can have an impact on a country's economy, why people fight for resources and why certain economies grow faster than others.

Throughout your studies, you will learn how to explain, analyse and evaluate complex issues, problem solve, interpret statistics and data, provide articulate written responses and think critically. These are all highly transferable skills that any training provider or employer would value highly and is exactly why universities hold the subject in such high regard.

In your first year, you will be studying markets and how they fail (Theme 1), as well as the UK economy (Theme 2). During your work on Theme 1, you will be introduced to the microeconomic nature of economics, looking at economic problems and the ways economists think and work. Theme 2 in this qualification focuses on macroeconomics. This theme introduces the key measures of economic performance and the main instruments of economic policy primarily in a UK context.

In your second year, you will be studying business behaviour and the labour market (Theme 3) and the global economy (Theme 4). Theme 3 builds on the content of Theme 1 and focuses on business economics, further developing your understanding of microeconomics. Finally, Theme 4 builds upon the knowledge,

skills and understanding developed from Theme 2, making connections across these two macroeconomic themes.

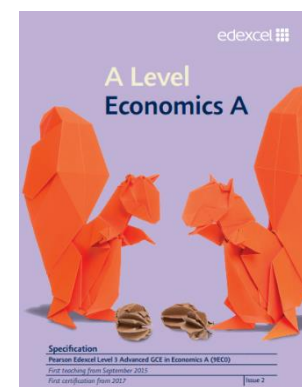
Below is concise breakdown of the course and the areas covered within each theme.

The A level is structured into four themes with three externally assessed exams:

<p style="text-align: center;">Theme 1 Introduction to markets and market failure</p> <p>1.1 The nature of economics 1.2 How markets work 1.3 Market failure 1.4 Government intervention</p>	<p style="text-align: center;">Theme 2 The UK economy – performance and policies</p> <p>2.1 Measures of economic performance 2.2 Aggregate demand 2.3 Aggregate supply 2.4 National income 2.5 Economic growth 2.6 Macroeconomic objectives and policy</p>
<p style="text-align: center;">Theme 3 Business behaviour and the labour market</p> <p>3.1 Business growth 3.2 Business objectives 3.3 Revenues, costs and profit 3.4 Market structures 3.5 The labour market 3.6 Government intervention</p>	<p style="text-align: center;">Theme 4 A global perspective</p> <p>4.1 International economics 4.2 Poverty and inequality 4.3 Emerging and developing economies 4.4 The financial sector 4.5 Role of the state in the macroeconomy</p>
<p style="text-align: center;">Paper 1 Markets and business behaviour Assessing Theme 1 and Theme 3</p>	<p style="text-align: center;">Paper 2 The national and global economy Assessing Theme 2 and Theme 4</p>
<p style="text-align: center;">Paper 3 Microeconomics and macroeconomics Assessing all themes</p>	

A more detailed breakdown the topics within each of the themes is available in the course specification. Should you wish to see what will be taught within each of these topic areas, take a look at the specification:

https://qualifications.pearson.com/content/dam/pdf/A%20Level/economics-a/2015/specification-and-sample-assessment-materials/A_Level_Econ_A_Spec.pdf



Expectations of You

As previously mentioned, economics A-level is a challenging and academic course. In order to be successful on this course there are a number of basic expectations you will need to follow:

- Good attendance is vital, arrive on time and bring all of the necessary equipment including your class notes and the correct folder for the relevant teacher.
- Work to the best of your ability in class and focus on the lesson.
- Complete all set homework on time and meet all deadlines.
- Listen to others' views and respectfully consider them whilst critically reflecting on your own.
- Keep up-to-date with current events and the economy by regularly watching the news and reading news articles.
- Regularly check emails for communication from both class teachers.
- Attempt all work. If you require support, it will always be available, but independence will be a key skill that will be developed on this course.
- Make sure independent study time is fully utilised. For every hour of class time, you should spend an hour of working independently on material covered.

Reading List

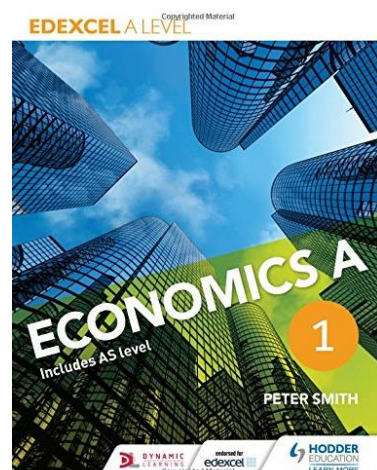
If you would like to read ahead and develop your initial understanding of certain topics, refer to the course textbook.

For any additional resources you can look online, a particularly good website to start with is <https://www.tutor2u.net/economics>

Essential Summer Viewing/Listening

Check the BBC news website for breaking news on the link below. Print off stories that link to specific areas of the course, read and annotate them. There are also plenty of video clips for you to watch as well. <https://www.bbc.co.uk/news/business/economy>

Keeping up-to-date with current affairs is essential for economics students and we expect you to regularly read news articles and watch the news.



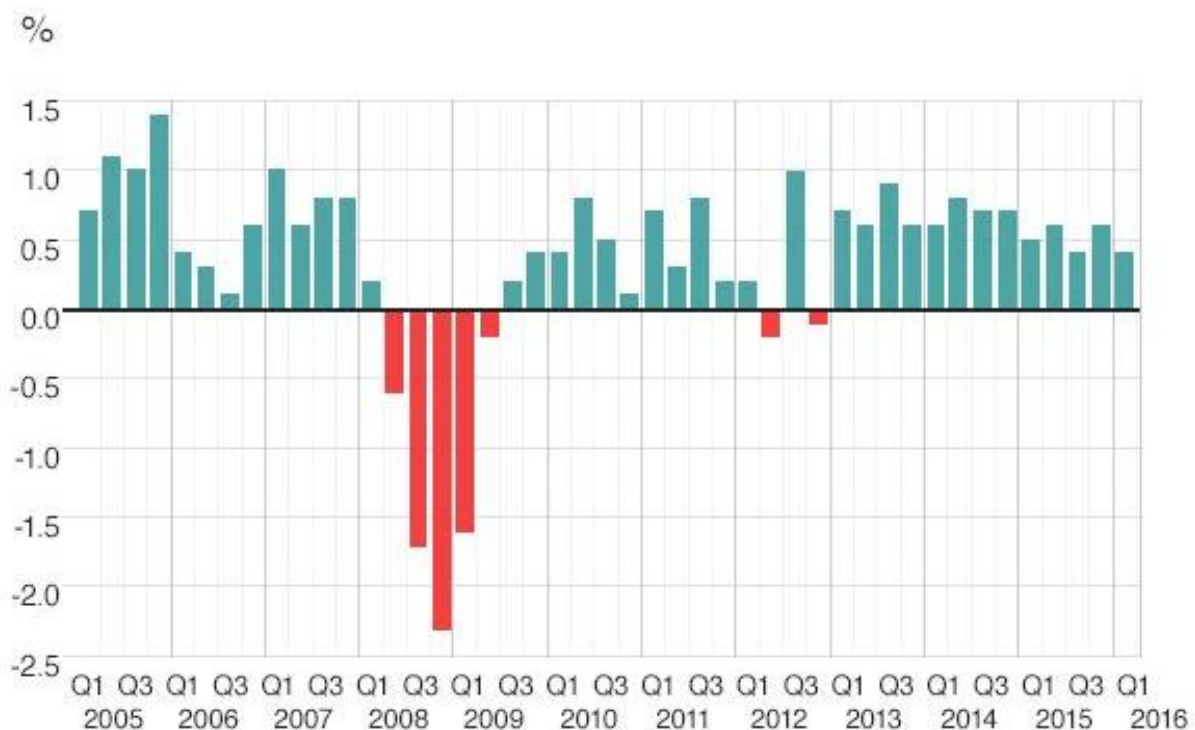
Tasks to be Completed

The following tasks have been put together to give you a taste of the type of content that will be covered throughout the course, to help develop your written responses and to develop your basic mathematical skills.

Task 1 – Macroeconomics – Financial Crisis 2007-08

For this task, you will need to have read the article “What is GDP” which has been uploaded alongside this transition pack on the website.

UK GDP growth, quarter on previous quarter

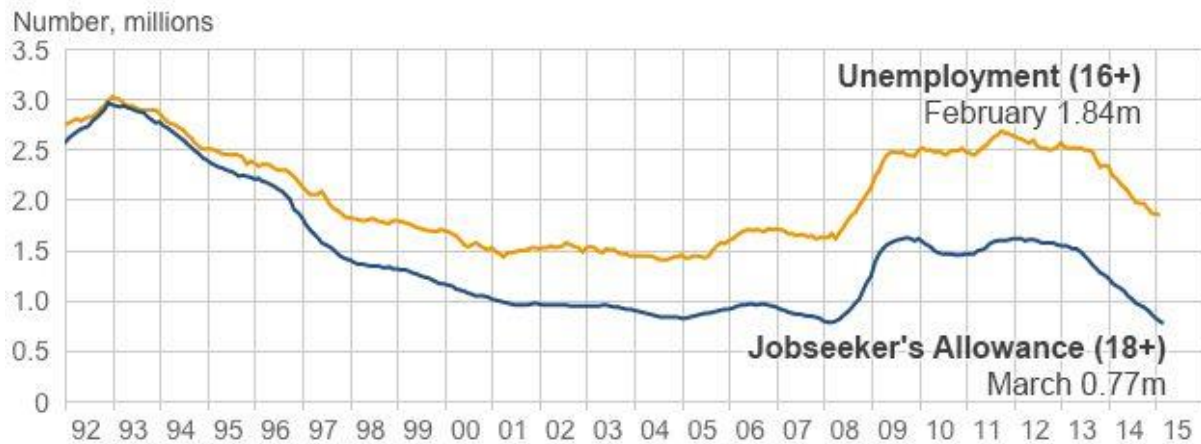


Source: ONS

The financial crisis of 2007–08, also known as the global financial crisis, was a severe economic global downturn that resulted in recessions in economies around the world. Many economists consider it the single greatest economic downturn since the Great Depression of the 1930's. An economy is generally considered to be in recession if GDP falls (contracts) for two consecutive quarters i.e. a six-month period. A recession means a fall in the level of real national output i.e. a period when growth is negative, leading to a contraction in employment, people's incomes and firm's profits.

Jobless total

Unemployment and Jobseeker's Allowance in the UK 1992-2015



Source: ONS

Soon after the start of the recession in 2008, unemployment started to rise sharply. When the global financial crisis hit, the unemployment rate was a little over 5% or 1.6 million.

Towards the end of 2009, with the UK coming out of its severest recession in modern history, it was almost a million higher at 2.5 million, or 8%.

Unemployment peaked at almost 2.7 million at the end of 2011, its highest level for 17 years.

A person is classed as unemployed if not only out of work, but also actively looking for work and available to start work within a fortnight.

Questions: (You will need to use the internet for research)

- 1) What is GDP?
- 2) What is business confidence?
- 3) What caused the global recession of 2008/09?
- 4) Explain three impacts of a recession on the UK economy.
- 5) What can the UK government do to help an economy recover from a recession?
- 6) What is a budget deficit?
- 7) How do you think the Coronavirus will affect the economy? How likely are we to face another recession?

Task 2 – The Nature of Economics

As outlined above, the first topic that you will be studying in your first year of the course is the nature of economics. For this task, you are presented with some of the theory that will be covered in the topic. You will be expected to apply this theory to the questions in this section.

Models and Assumptions

Economics aims to tackle intricate and complex issues across the world. In other subject areas and other sciences, investigation into a problem or phenomena can be carried out via experiments to advance knowledge and understanding.

Consequently, an alternative approach is required.

In economics, this is done through modelling. This involves the simplifying of 'real world' situations by introducing some basic assumptions into a line of economic thinking, e.g. in a model of perfect competition economists assume that all goods and services are homogenous, i.e. identical.

Introducing simplifying assumptions makes it easier for economists to analyse patterns of individual behaviours thereby making sense of what can be a complex idea. Often this works by allowing economists to focus on one economic variable at a time, e.g. price. As the model develops, certain assumptions can be relaxed which then allows the economist to understand issues that are more complex.

The Basic Economics Problem

The idea of people's wants and the resources available to them is at the heart of the basic economics problem. The resources of the world are **FINITE**, e.g. there is only a limited amount of land, food, etc. available for consumption. However, human wants are **UNLIMITED** – there will always be something that we want but are unable to have. Consequently, the basic economic problem arises because the resources available to satisfy our wants are **INSUFFICIENT**, i.e. there is the problem of scarcity.

Scarcity and Choice

The fundamental issue that arises from the existence of scarcity is the fact that people are forced to make choices and compromises. Each individual must make a

choice about what goods and services to consume. Essentially, people need to prioritise the consumption of whatever commodities they need or would like to have because they cannot satisfy all of their wants. These kind of choices are not exclusive to individuals and households but apply to other economic agents including firms and governments.

It is this need to choose that is the foundation for all of economics. Economic analysis is all about analysing those choices made by individual people, firms and governments.

Opportunity Cost

This raises one of the most important concepts within economics – the notion of opportunity cost. When an individual chooses a good or a service to consume, they do so at the cost of the item that would have been next in their priority list. For example, the resources of an individual are his income. Assume a person earns £200 per week and wants to buy a watch or a games console. Assuming both are worth £200 his resources are therefore limited and he must choose. If he decides to buy the watch, he has lost or **FOREGONE** the opportunity to buy the games console and vice versa. Therefore, the opportunity cost of buying the watch is the games console (the forgone alternative) and vice versa.

Therefore, opportunity cost can be defined as:

‘The forgone (lost) ‘next best alternative’

Identify the opportunity cost in the following scenarios:

- 1) Work-leisure choices: If you are being paid £10 per hour to work at the local clothing shop. What would be the opportunity cost of taking a day off when you were due to have an 8 hour shift, in order to attend a family wedding.
- 2) Government spending priorities: The government has decided to spend nearly £10 billion on investment in National Health. What might be an example of opportunity cost for the government?
- 3) Making use of scarce farming land: A farmer decides to use his farmland to grow wheat for bio-fuel. What might be an example of opportunity cost with this decision?

Positive and Normative Statements

A key aspect of economics is that the analysis of issues has to be objective. However, some of its matter requires careful attention in order to retain an objective stance. For this reason, it is vital that all economists are clear on the difference between positive and normative statements.

Positive statement – is a statement about what is and that contains no indication of approval or disapproval. Notice that a positive statement can be wrong. In essence, it is about facts and in principle can be tested; therefore, it can be proven or disproven.

Normative statement – a normative statement expresses a value judgement about whether a situation is desirable or undesirable. “Brexit would have been more effectively handled if it was negotiated by a labour government” is a value-laden normative statement. Notice there is no way of disproving this statement. If you disagree with it, you have no sure way of convincing someone who believes it that he is wrong. A good indication of a normative statement is the use of words such as: should, ought, or prefer are likely to be normative statements.

The question below is taken from a past paper. It presents you with two statements, and wants you to identify whether each statement is positive or normative. To access the explanation marks, define the key terms in the question and explain the reasons you have come to that answer.

Statement 1: Bonuses to financial sector workers in the City of London exceeded £13 billion in 2009.

Statement 2: A 50% tax on bonuses above £25,000 is fair.

Which of the following best describes the two statements above?

(1)

- A Statement 1 is normative and statement 2 is positive.
- B Both statements are normative.
- C Statement 1 is positive and statement 2 is normative.
- D Both statements are positive.

Answer

Explanation

(3)

The question below is another example of an exam question but this time instead of asking you to justify your answer, you are asked to perform a mathematical calculation.

Statement 1: Cuba has a healthcare system with a patient to doctor ratio of 155:1.

Statement 2: Other countries ought to adopt a similar healthcare system to that which exists in Cuba.

(a) Which one of the following best describes the two statements above?

(1)

	Statement 1	Statement 2
<input type="checkbox"/> A	Normative	Normative
<input type="checkbox"/> B	Normative	Positive
<input type="checkbox"/> C	Positive	Normative
<input type="checkbox"/> D	Positive	Positive

(b) Cuba's population is estimated to be 11 million. With reference to Statement 1 above, calculate the estimated number of doctors in Cuba. You are advised to show your working.

(2)

Task 3 – Quantitative Methods

As you can see from the final part of the question above, mathematical calculations and quantitative methods are a key part of this A-level. Therefore, this task is focused on the kind of mathematical skills you will need throughout the course.

Question 1

- a) Pizza World is a large-scale frozen pizza manufacturer based in Birmingham. They have 4 pizza machines. 1 machine can make 500 margarita pizzas an hour OR 400 ham and pineapple pizzas per hour. The manager currently has 2 machines making margarita pizzas and 2 machines making ham and pineapple pizzas. Assuming there are no defects or production problems, what is the number of pizzas the firm makes in 12 hours.
- b) What is the opportunity cost of having 2 machines making ham and pineapple pizza's?

Question 2

- a) There has been an increase in the demand for Ham and Pineapple pizza. The manager at Pizza World's decides that she will use 3 machines to make ham and pineapple pizzas and 1 machine to make margarita pizzas. Calculate the new number of pizzas made in 12 hours.
- b) What is the difference in the number of pizzas made between the current situation and that calculated in question 1a?
- c) Which scenario is more profitable for the firm? Are you able to determine this or do you need more information? If so, what information would you need?

Question 3

James sells his house for £500,000 in Manchester. The estate agent, Anne, is paid 2.5% of selling price. Calculate how much Anne is paid.

Question 4

James uses this money to buy a new apartment in Birmingham that costs £450,000. This time he has to pay Stamp Duty tax on his purchase. Stamp Duty at this price is 5%. How much tax does he pay?

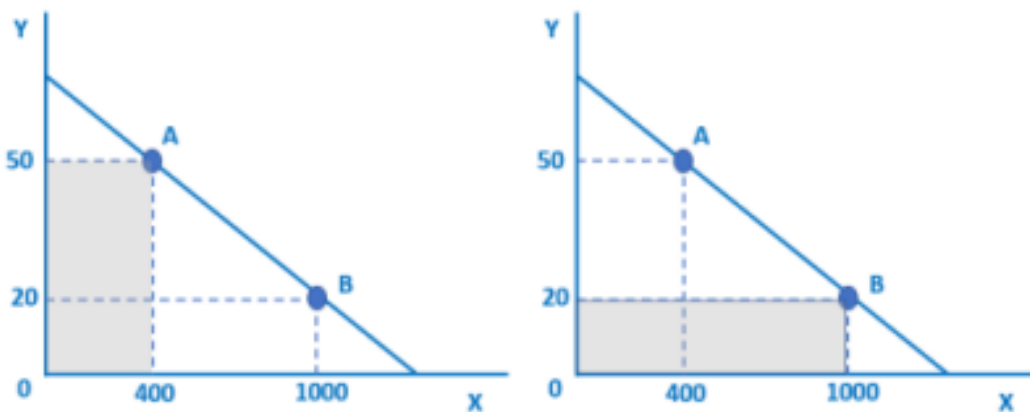
Question 5

Over the next 5 years, house prices in Birmingham go up by 45%. House prices in Manchester go down by 6.5%.

- Calculate how much James' apartment is worth after those five years.
- Calculate how much the house in Manchester would have been worth if he hadn't sold it.

Question 6

Calculate the area of each of the shaded rectangles.



Question 7

A car produced in the West-Midlands costs £35,000. The current exchange rate is £1 (UK pound) to \$1.2 (US dollar). Last year the exchange rate was £1 to \$1.50

- Calculate how much the £35,000 car costs in US dollars today.
- Calculate how much the £35,000 car cost in US dollars last year.
- Do you think US consumers will now be more likely or less likely to buy the car produced here in the UK, based on the change in exchange rates?

Question 8

The exchange rate of UK pounds (£) to Euros (€) changes from £1 = €1.10 to £1 = €1.40.

- Calculate the percentage increase of €1.10 to €1.40.
- Calculate the UK price (£) of a €800 suit made in Italy, after the exchange rate change.

Question 9

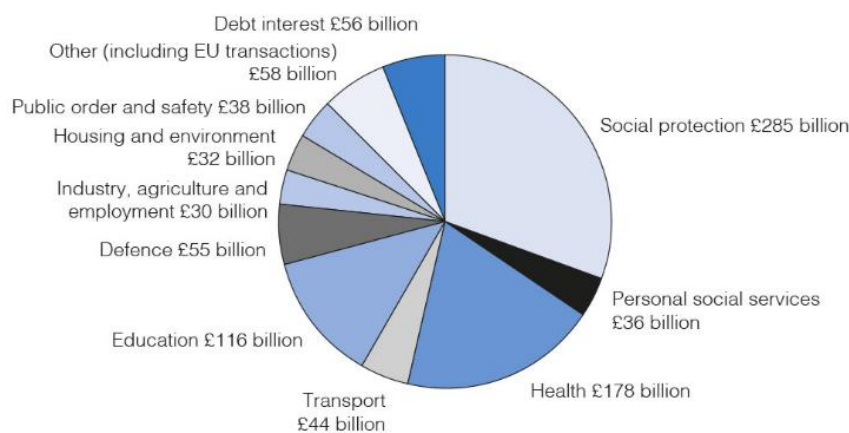
The table below shows the total output figures for a firm as it adds more workers to its production process. Fill in the right hand column and determine the output per worker. What trend do you notice?

Workers	Total Output	Output per worker
1	18	
2	24	
3	36	
4	44	
5	48	

Question 10

The chart below shows Government spending by area for 2020/2021

Chart 1: Public sector spending 2020-21



Figures may not sum due to rounding. Illustrative allocations to functions are based on HMT analysis including capital consumption figures from the Office for National Statistics.

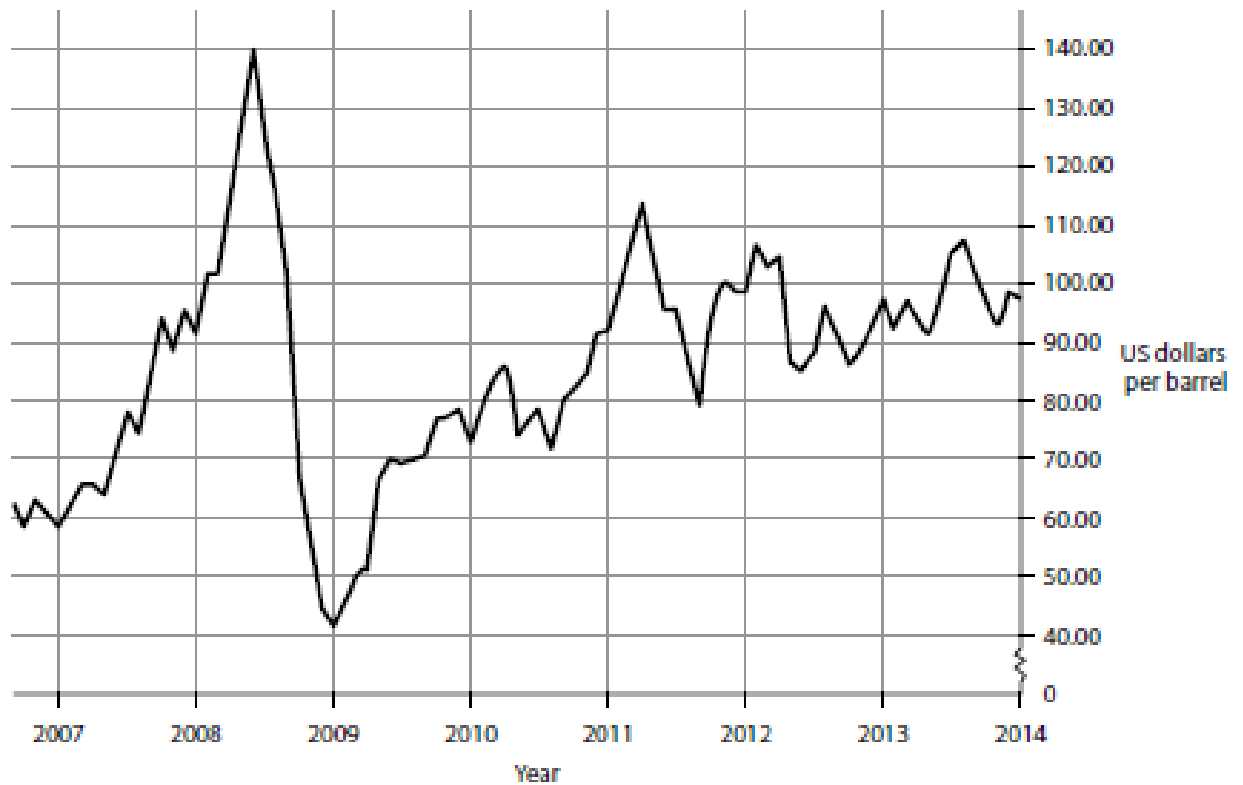
The government spending is expected to amount to £928 billion.

- Calculate the percentage of total spending that is being spent on social protection.
- Calculate, as a percentage of total spending, how much more is being spent on education than transport.

Exam question

The chart below shows the price of crude oil from 1 January 2007 to 1 January 2014.

Crude oil price, 1 January 2007 to 1 January 2014, US\$ per barrel



(Source: [http://oilprice.com/commodity-price-charts?1=&page=chart&sym=CL*1&name=Crude Oil WTI&domain=advancedmedia&sg=true&display_ice=1&studies=Volume;&cancelstudy=&type=LINE&a=M](http://oilprice.com/commodity-price-charts?1=&page=chart&sym=CL*1&name=Crude%20Oil%20WTI&domain=advancedmedia&sg=true&display_ice=1&studies=Volume;&cancelstudy=&type=LINE&a=M))

(a) The best approximation of the percentage increase in crude oil price per barrel from 1 January 2009 to 1 January 2014 is:

(1)

- A 40%
- B 60%
- C 110%
- D 130%

Answer

Task 4 – Presentation

Following your graduation with a first class degree in economics, you have been drafted onto the governments Coronavirus economic response team. Your first assignment in your new role is to prepare a comprehensive presentation to Boris Johnson about the current state of affairs and how you propose issues are resolved.

To help you, we have broken down your assignment into areas you should consider:

Society



- Why have the current lockdown measure been put in place?
- How do these measures compare with other countries?
- Would you recommend easing the lockdown measures?
- How could the lockdown begin to be eased?

Finance



- What are the current trends with GDP?
- What do you think is likely to happen with GDP?
- What measures would you put into place to improve the outlook?

Business



- What support is currently being offered to businesses?
- What more can be done to help businesses bounce back from issues they are having?
- What are the trends with unemployment?
- What can be done to promote employment and to prevent further unemployment?

Healthcare



- What issues has Coronavirus caused for the NHS?
- What is currently being done to combat the disease and support the NHS?
- What more could be done to support the NHS?