



## **Edexcel A Level Economics Year 12 Transition Work**

### **Why study A Level Economics?**

Economics is about the world around us; it's current; it's always changing; It's the subject that allows you to study Tesco's and ASDA's methods of competition one day and learn about the environment and pollution permits the next. It's about the modern world; it's about how we behave, how businesses behave and how the government behaves. Economics is a valuable subject as it can lead to a career as an Economist (private or public sector) or the knowledge gained can be usefully employed by accountants, bankers or those running their own businesses.

### **A-Level Economics at a glance**

Theme 1 (term 1 of year 12)- In this theme students will consider how markets work, looking at how supply and demand interact to allocate resources in markets. Students will also investigate what happens when markets do not work.

Theme 2 (term 2 of year 12)- Students will be introduced to the aggregate demand/aggregate supply model so that they can use it to analyse the whole economy. In particular they will investigate the major macroeconomic objectives of inflation, unemployment, economic growth, balance of payments and income inequality.

Theme 3 (term 3 of year 12)- This theme examines different market structures and compares and contrasts the differences between monopolies and perfect competition. This enables students to investigate the different approaches to pricing in different contexts. Supply and demand analysis is also applied to the labour market to see how wages are determined.

Theme 4 (year 13)- Students will study globalisation, international trade, the balance of payments and exchange rates. They will examine public finance, macroeconomic policies and the role of the financial sector in a global context. Students will consider



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the factors influencing the growth and development of emerging and developing countries.

**Assessment** – The course is assessed by means of 3 exam papers each of which is 2 hours long. In papers 1 (themes 1 and 3) and 2 (themes 2 & 4) students will answer a variety of questions including multiple choice, short answer and data response questions as well as writing a 25-mark essay for each paper. In paper 3 (all themes) students will answer two data response questions and two essays.

### **The purpose of the transition work**

This bridging unit is designed to help you begin your journey on the Economics course. Having not studied it at GCSE it is important you understand the nature of the subject before you begin, and how you will need to work in year 12.

 **Deadline:** Please ensure your completed task is submitted during your first lesson in September.

If you have any questions or need support, please contact Mrs A Holton at:

 [aholton@holytrinitycrawley.org.uk](mailto:aholton@holytrinitycrawley.org.uk)



## **Transition Tasks**

### **1. Pre-Reading – What is Economics? (30 mins)**

Read the article: 'The Importance of Economics' (appendix of this document)

Answer:

- a) What is the basic economic problem?
- b) What are the key differences between microeconomics and macroeconomics?
- c) Why might economists disagree on policy decision?

### **2. Watch & Reflect (1 hour)**

Watch the YouTube video:

[https://www.youtube.com/results?search\\_query=%E2%80%9CHow+the+2008+Financial+Crisis+Happened%E2%80%9D](https://www.youtube.com/results?search_query=%E2%80%9CHow+the+2008+Financial+Crisis+Happened%E2%80%9D)

Answer:

- a) What caused the 2008 financial crisis?
- b) What role did government and banks play?
- c) How did the crisis affect people and businesses?



d) What surprised or interest you the most?

**Task 3: Economics Concepts in Action (1 hour)**

Complete the table below by linking moments from the video to key economic concepts.

Video Moment	Business Concept	Explanation
Banks gave out risky loans	Market failure	Poor information and risk-taking led to inefficient outcomes

**Task 4: Create Your Own Economic Policy (1 hour)**

Imagine you are the Chancellor of the Exchequer during a recession.

Create a short presentation outlining:

- a) A policy to reduce unemployment
- b) A policy to boost economic growth
- c) How you would fund these policies
- d) Possible unintended consequences

**Task 5: Reflection (1 hour)**

Write a short reflection (200-300 words):



1. What did you learn about how economies work?
2. What qualities do you think are important for an economist?
3. What are you most looking forward to in A Level Economics?

## The importance of economics

Economics is concerned with the optimal distribution of resources in society. The subject involves

- Understanding what happens in markets and the macroeconomy.
- Examining statistics about the state of the economy and explaining their significance



- Understanding different policy options and evaluating their likely outcomes.

## Examples of the importance of economics



1. **Dealing with a shortage of raw materials.** Economics provides a mechanism for looking at possible consequences as we run short of raw materials such as gas and oil. See also: [Effects of a world without oil](#).
2. **How to distribute resources in society.** To what extent should we redistribute income in society? Is inequality necessary to create economic incentives or does inequality create unnecessary economic and social problems?
3. **To what extent should the government intervene in the economy?** A critical divide in economics is the extent to which the government should intervene in the economy. Free market economists, like Hayek and Friedman, argue for limited government intervention and free markets. Other economists, like Stiglitz or Krugman, argue government intervention can overcome inequality and the underprovision of public goods. For example – should the government provide health care free at the point of use or is it more efficient to encourage private health care? See also: [To what extent should the government intervene in the economy?](#)



4. **The principle of opportunity cost.** Politicians win elections by promising more spending and cutting taxes. This is because lower taxes and more spending is what voters want to hear. However, an economist will be aware that everything has an opportunity cost. Spend more on subsidising free university education, and it means higher taxes and lower spending elsewhere. Giving students £4,000 a year to spend at university may be a noble ideal. But, is it the best use of public money? Are there better uses of money, such as spending on primary education? See: [Opportunity Cost](#)
5. **Social efficiency.** The free market leads to countless examples of market failure. I feel one of the best uses of economics is to provide solutions to overcoming market failure. For example, driving into the centre of town creates negative externalities such as pollution and congestion. There is overconsumption. An economist can suggest a tax on driving into towns to internalise the externality. Of course, new taxes are not popular, but, it might provide a better solution for society. You may not want to pay £10 a week to drive into a city centre. But, if it saved you two hours of sitting in a jam, then maybe you would be much happier to pay it.
6. **Knowledge and understanding.** One of the principal jobs for economists is to understand what is happening in the economy and investigate reasons for poverty, unemployment and low economic growth. For example, in a political debate such as – Should, the UK leave the EU? There are many emotional arguments made about immigration. Economic studies can try and evaluate the costs and benefits of [free movement of labour](#). Economic studies can try to examine the [economic effects of immigration](#). This can help people make a decision about political issues.
7. **Forecasts.** Economic forecasts are more difficult than understanding the current situation. However, although forecasts are not always reliable, they can help give decision-makers an idea of possible outcomes. For example, in 2003, the UK took a decision about whether to join the Euro. Many economists suggested the UK could struggle with a common monetary policy. The Euro was not an [optimal currency area](#) with the UK in. This analysis was a factor in UK government deciding not to join. In retrospect, the analysis under-estimated the [costs of the Euro](#). But, if it had been taken on purely political grounds, the UK may have joined.



When the

economy goes wrong, millions can suffer. Here mass unemployment in the 1930s.

8. **How to deal with an economic crisis.** In the 1930s, the Wall Street Crash precipitated a significant rise in unemployment. There was a debate on how to respond. Many western governments increased taxes, tariffs and benefits. This response caused John M. Keynes to develop a new branch of economics – focused on dealing with a persistent recession.
9. **Evaluation.** Economics is not a definitive science like Maths. Because of many unknown variables, it is impossible to be definitive about outcomes, but a good economist will be aware the result depends on different variables, and there are different potential outcomes. This should help avoid an overly ideological approach. For example, a government may have the philosophy ‘free markets are always best’, but an economist would be aware of a more nuanced view that in some markets, like health care, transport, government intervention can overcome market failure and improve welfare. But, at the same time, it doesn’t mean state intervention is always best.
10. **Behavioural economics** Why do people behave as they do? Can governments subtly nudge people into better behaviour, e.g. banning cigarette advertising? Are we subject to bias and irrational behaviour? For example, can we be sucked along by a bubble and



lose a fortune on the stock market? Behavioural economics examines the reasons why we make decisions. See: [Behavioural economics](#).

11. **Applying economics in everyday life.** Modern economists have examined economic forces behind everyday social issues. For example, Gary Becker argued that most crime could be explained by economic costs and benefits. See: [Applying economics in everyday life](#).

## Limitations of Economics

Does economics place too much value on rationality, utility maximisation and profit maximisation? That is the work of behavioural economics who are more critical of the limitations of the traditional economic theory.