



Coloma Sixth Form

# ECONOMICS



“When the facts change, I change my mind....What do you do, sir?”

**JOHN MAYNARD KEYNES**

(apparent response to his teacher when asked why he changed his mind)



## Specification: AQA 7316

	<b>Individuals, firms, markets and market failure (Microeconomics)</b>	<b>Spec</b>
<b>1</b>	<b><i>Economic methodology and the economic problem</i></b>	<b>4.1.1</b>
	The nature of Economics; The problem of allocating scarce resources	
<b>2</b>	<b><i>Individual economic decision making</i></b>	<b>4.1.2</b>
	Behavioural Economics as a new challenge to classical thinking	
<b>3</b>	<b><i>Price determination in a competitive market</i></b>	<b>4.1.3</b>
	Demand, Supply & Elasticity	
<b>4</b>	<b><i>Production, costs and revenue</i></b>	<b>4.1.4</b>
	The Economics of business	
<b>5</b>	<b><i>Perfect competition, imperfectly competitive markets and monopoly</i></b>	<b>4.1.5</b>
	The various forms of market structure and how they impact on price and output	
<b>6</b>	<b><i>The labour market</i></b>	<b>4.1.6</b>
	Demand for and Supply of labour; The determination of wage rates; Trade Unions; Discrimination; Minimum wage	
<b>7</b>	<b><i>The distribution of income and wealth: poverty and inequality</i></b>	<b>4.1.7</b>
	The problem of poverty; Government policy	
<b>8</b>	<b><i>The market mechanism, market failure and government intervention in markets</i></b>	<b>4.1.8</b>
	How markets work and how they don't; Government policy and Government failure	



	<b>The national and international economy (Macroeconomics)</b>	
<b>9</b>	<b><i>The measurement of macroeconomic performance</i></b>	<b>4.2.1</b>
	Government macroeconomic objectives; Economic indicators; Uses of data	
<b>10</b>	<b><i>How the macroeconomy works : the circular flow of income, AD/AS analysis, and related concepts</i></b>	<b>4.2.2</b>
	The two key economic models	
<b>11</b>	<b><i>Economic performance</i></b>	<b>4.2.3</b>
	Economic growth; Unemployment; Inflation; Conflicts in policy	
<b>12</b>	<b><i>Financial markets and monetary policy</i></b>	<b>4.2.4</b>
	The structure of financial markets; Banking; Monetary Policy	
<b>13</b>	<b><i>Fiscal policy and supply-side policies</i></b>	<b>4.2.5</b>
	Government spending, borrowing & taxation in the context of short and long run periods	
<b>14</b>	<b><i>The international economy</i></b>	<b>4.2.6</b>
	Globalisation; Trade; Balance of Payments; Exchange rates; Growth & Development	

## ***What makes an A\* student of Economics?***

The A\* student:

- Will score very highly in the multiple choice section, which requires a solid all-round understanding of the subject, together with an ability to reason logically when attempting to think through possible answers.
- Will write essays that consistently achieve 21 or more out of 25 marks. These essays will be well-structured, focus throughout on the question set, be highly analytical, draw on the given extract information, include detailed knowledge of recent economic events (and a good feel for what has happened in over the past 20 years), and, most importantly, demonstrate an ability to weigh up the critical points covered and make some judgement as to which, if any, carry more weight.
- Will have read around the subject, staying in touch with developments by referring to the quality press, serious TV news programmes and key websites such as Tutor2U, BBC Economics and the Bank of England. They will also have read, or be aware of, the key economic thinking of the time and in days past.



# What could this qualification lead to?

## CAREERS

Jobs directly related to a degree in Economics include:

- Actuarial analyst
- Chartered accountant
- Chartered certified accountant
- Chartered public finance accountant
- Data analyst
- Economist
- Financial risk analyst
- Forensic accountant
- Investment analyst
- Statistician
- Stockbroker

Jobs where a degree in Economics would be useful include:

- Actuary
- Civil Service fast streamer
- Diplomatic service officer
- Local government officer
- Management consultant
- Quantity surveyor

Regardless of career path, an A Level in Economics sends an important signal to universities and industry. To succeed at the subject, you would have needed to demonstrate high levels of thinking skills, an analytical mind with an ability to reason when presented with problems. You would have also shown that you can communicate these skills by applying knowledge to a range of applications under essay conditions.

### Relevant Links to Websites

<https://www.prospects.ac.uk/careers-advice/what-can-i-do-with-my-degree/economics>



# AQA A LEVEL ECONOMICS ASSESSMENT SUMMARY

Paper 1: Markets and Market Failure (7136/1)	Paper 2: National and International Economy (7136/2)	Paper 3: Economic Principles and Issues (7136/3)
2 Hrs – 80 marks 33.3%	2 Hrs – 80 marks 33.3%	2 Hrs – 80 marks 33.3%
<b>MICROECONOMICS</b>	<b>MACROECONOMICS</b>	<b>SYNOPTIC PAPER</b>
<b>SECTION A (40 marks)</b>	<b>SECTION A (40 marks)</b>	<b>SECTION A (30 marks)</b>
Students are given TWO contexts from which to choose ONE. Each context is a current theme within economics and contains data and text from which to refer for answers.	Students are given TWO contexts from which to choose ONE. Each context is a current theme within economics and contains data and text from which to refer for answers.	Students have 30 multiple choice questions to answer, all of which are to be attempted. It is a balanced mixture of topics from the entire specification (Papers 1 & 2).
Q1 Numeracy (2 marks)	Q1 Numeracy (2 marks)	<b>SECTION B (50 marks)</b>
Q2 Explain...with reference to data (4 marks)	Q2 Explain...with reference to data (4 marks)	Students are assumed the responsibility of an adviser who carries out an 'investigation'. Data and text extracts are provided for the student to support their findings, which are in the form of three questions.
Q3 Explain, with the help of a diagram...(9 marks)	Q3 Explain, with the help of a diagram...(9 marks)	Q1 To what extent does the data show... (10 marks)
Q4 Using the data in the extracts and your knowledge of economics, evaluate...(25 marks)	Q4 Using the data in the extracts and your knowledge of economics, evaluate...(25 marks)	Q2 Explain....(15 marks)
<b>SECTION B (40 marks)</b>	<b>SECTION B (40 marks)</b>	Q3 After considering the data in the extracts, would you recommend.....(25 marks)
Students can choose essays from 3 topics. There are TWO questions.	Students can choose essays from 3 topics. There are TWO questions.	
Q5 Explain..... (15 marks)	Q5 Explain..... (15 marks)	
Q6 Evaluate.... (25 marks)	Q6 Evaluate.... (25 marks)	



# ECONOMICS INDICATORS OF INTEREST

For the following key economic measures, find the latest data:

- The rate of CPI inflation
- The unemployment rate
- The annual growth rate of GDP for 2021; The expected growth rate for 2022; The most recent GDP growth for the last quarter
- The Balance of Payments position, ie what is the size of the deficit on the current account?

These *indicators*, as they are called, have been chosen for a reason. It is because the government refers to these when assessing how well the economy is doing. The government's 4 economic *objectives* relate precisely to these indicators.

## SOME EVERYDAY QUESTIONS THAT MIGHT BE OF INTEREST TO YOU

Below are some issues that the subject of economics tries to understand, analyse, explain and solve.

### 1. Why governments provide state schooling?

Essentially because if they didn't many people would not be able to go to school. The private market, if left alone, would create schools as long as a profit could be made. So there would be schools only for those that could afford them. Society considers education to be good for us (a Merit Good), and so the government steps in to fill what we call a 'partially missing market'.

### 2. Where street lighting comes from?

Quite simply there wouldn't be ANY street lights unless the council or government provided them. This is because it wouldn't be practical for a business to make and implement street lights given that they wouldn't easily be able to charge for their consumption. Street lights are an example of a Public Good, where the market fails to provide it at all. Other examples include defence and lighthouses.

### 3. Why is our housing market in a poor shape?

The problem is that there are not enough houses to go round, which keeps prices high, meaning that people can't afford to buy a house and rents are extremely high. Demand exceeds supply. The problem is worsened by



the fact that many rich businesses abroad are investing in the London property market, which in turn increases prices further.

The lack of supply is explained by various factors, including: government regulation controlling land space; people in areas that would rather not allow new houses to be built (NIMBYs); house building companies that could build more, but if they did then prices may start to come down.

#### **4. Why do prices rise over time?**

In Economics you can't have it all ways. It seems that there is always a conflict somewhere. One of the main conflicts is where an economy grows and people get richer, more jobs are created and wages rise. Sounds good, but economists can explain that when this happens, increased demand for goods and services outpaces supply, and so a scarcity in the market place pushes up prices. History has often shown that high inflation is associated with prosperity and growth. High inflation is a bad thing, as Economics would explain.

#### **5. Why has the UK such a poor trade balance with the rest of the world?**

If the value of our IMPORTS exceeds the value of our EXPORTS then we have a trade deficit. In the UK, this always seems to happen, and it particularly bad at the moment. Why? Because quite simply:

- We like importing stuff, especially when we are better off
- We aren't very good at exporting stuff, mostly in regard to manufactured goods.

#### **6. Why there is such a gap between rich and poor?**

This is INEQUALITY. It is everywhere, but in some countries it is worse than others. There is less inequality in Norway and Sweden, for example, than in the UK. Why? Basically because as a country grows richer over time, it is the rich that tend to be responsible for the growth and benefit from it. If the government does nothing about this, then the gap between rich and poor will widen. This is another form of market failure. Economics would explain the causes of inequality in detail and discuss its consequences and possible solutions.

#### **7. Why do exchange rates change?**

You may happen to know that at the moment the pound is 'weak'. This means that it has fallen in value against other currencies. This can happen for several reasons, including: the level of trade between countries; governments intervening in the foreign exchange markets; a 'shock' causing a significant change, eg Brexit; and massive speculation by people who want to make money buying and selling currencies. Economics would explain this is more



depth and discuss whether it is that bad and consider ways in which the exchange rate can be controlled.

### **8. Why are consumers are losing out with energy prices?**

You may be aware (your parents certainly are!) that gas and electricity bills are so high. We are told that we can switch easily between the 6 big companies. But the problem is that they pretty much charge the same prices. You may get a might deal, but that won't last. Why is this? Because the government wants the energy market to be private and operate like other private markets. Trouble is, the big companies effectively prevent the competition needed to drive prices down. We have what is called an Oligopoly (highly concentrated market with few firms). Economics would explain how this market operates and look at solutions. Other oligopoly markets include banks, supermarkets, car makers and mobile phones.

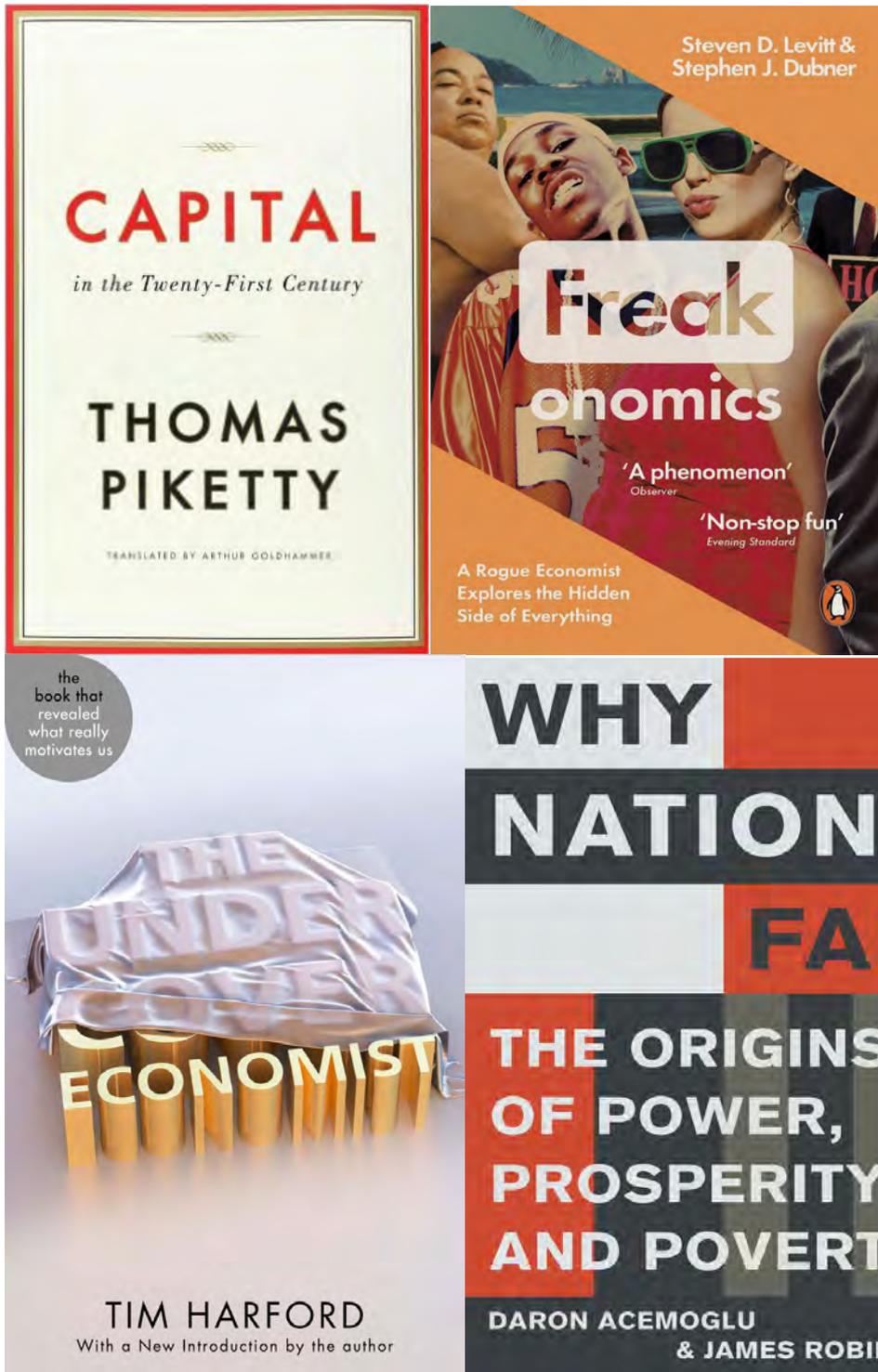
### **9. How can the government borrow so much money to help with the pandemic?**

The government borrows from various sources: from the Bank of England, the private sector (companies); from us; from abroad. In some cases the Bank will print new money (create it digitally) to lend to the government. This is what it has done these past 2 years. When an economic shock hits us, like a financial crisis or a pandemic, the economy stalls and needs support. Only the government can do this. It does mean debt grows, but if the economy grows too this debt can be repaid. Also, money borrow from within the UK stays in the UK – a bit like a family borrowing from each other. Government borrowing is a necessary aspect of modern economic management.



## FURTHER INFORMATION ON THE SUBJECT

These are some key reads:



## Key websites for students:

Tutor2U	<a href="https://www.tutor2u.net/economics">https://www.tutor2u.net/economics</a>
EconPlusDal	<a href="https://www.youtube.com/channel/UCQbBh9Jn2ljcSPZOiNKJu0g">https://www.youtube.com/channel/UCQbBh9Jn2ljcSPZOiNKJu0g</a>
Economicsonline	<a href="https://www.economicsonline.co.uk/">https://www.economicsonline.co.uk/</a>
Economics help	<a href="https://www.economicshelp.org/">https://www.economicshelp.org/</a>
BBC Economics	<a href="https://www.bbc.co.uk/news/topics/c8dn03216z3t">https://www.bbc.co.uk/news/topics/c8dn03216z3t</a>
Bank of England	<a href="https://www.bankofengland.co.uk/">https://www.bankofengland.co.uk/</a>
World Bank	<a href="https://www.worldbank.org/en/home">https://www.worldbank.org/en/home</a>

