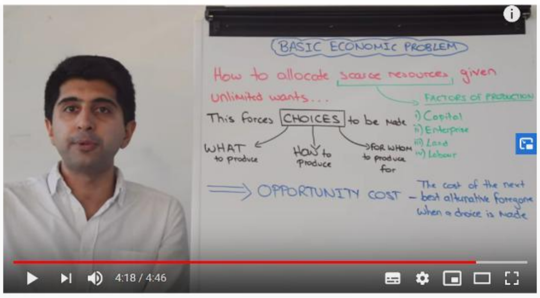
A level Economics

Introduction to Economics

Economics is the social science studying the production, distribution and consumption of goods and services nationally and internationally. It studies how individuals, governments, firms and nations make choices on allocating scare resources to satisfy their unlimited wants. Economics considers how a society provides for its needs. Its most basic need is survival; which requires food, clothing and shelter. Once those are covered, it can then look at more sophisticated goods and services.

Watch the video, answer the question and take some notes.

[Y1 1) The Economic Problem (Scarcity & Choice) - YouTube]



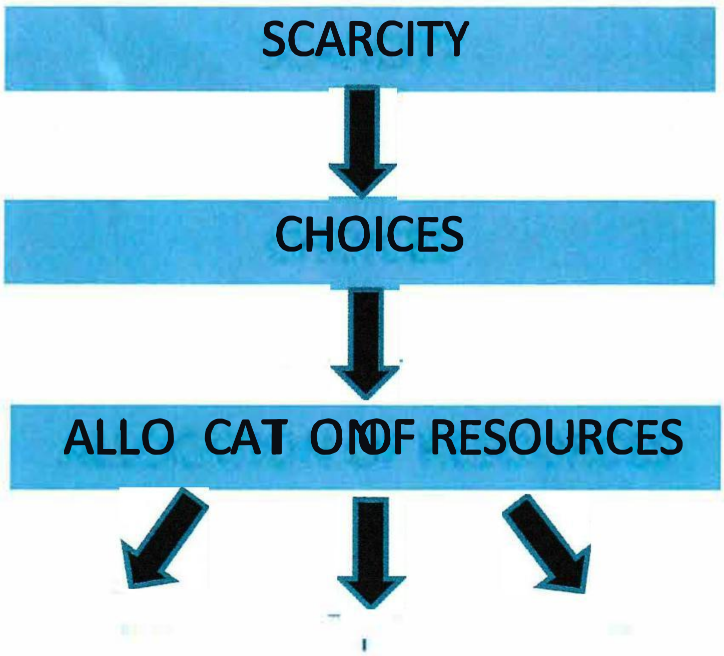
Y1/IB 1) The Economic Problem (Scarcity & Choice)

1 What is microeconomics?

2 What is meant by resources? Give some examples.

The Basic Economic Problem

The basic economic problem is one of scarcity, that there are unlimited wants but limited resources. The flowchart below outlines the basic economic problem. Can you fill in the missing section at the bottom?



3 What choices have to be made in an economy?

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4 What is opportunity cost?

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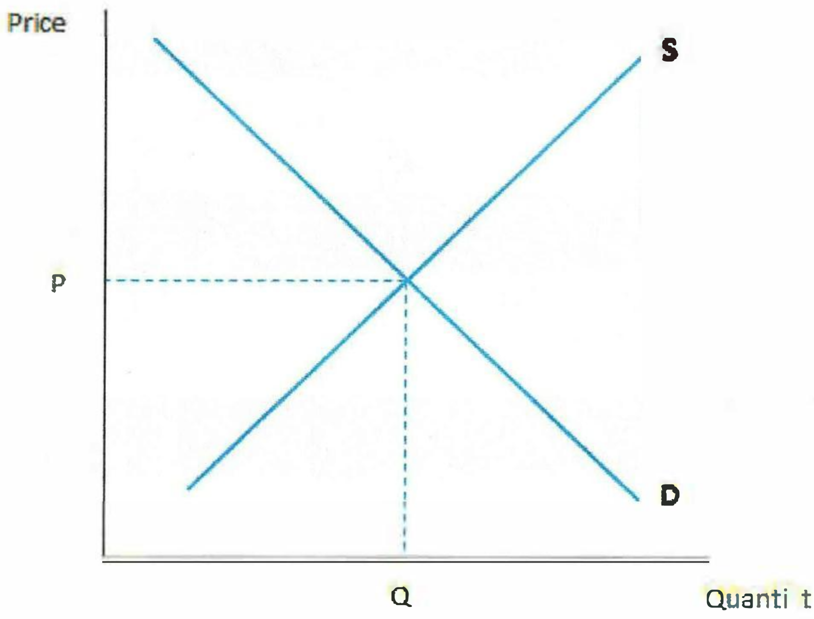
Demand and Supply

One of the fundamental economic models is demand and supply. The interaction of demand and supply will determine the equilibrium price of a good or service. Where **demand equals supply** is the **equilibrium price.** This can be shown on a diagram as shown below:



Changes in Equilibrium Price

Changes in demand and supply will have impacts on the equilibrium price. Shif t in the demand and supply curve will lead to a new higher or lower equilibrium price. A change in equilibrium price can therefore be caused by two factors.

(a) Changes in Demand

For example: if there is an increase in demand for cocoa as Chinese consumers demand more chocolate, this will cause price to rise.

For example: if the demand for electric cars increases there would be a decrease in demand for petrol, as fewer petrol cars need to be fuelled

(b) Changes in Supply

For example: if there is a bad harvest of wheat in major wheat producing countries, this will cause the price to rise as it become scarcer.

For example: if the government places an indirect tax on sugary drinks this will increase the cost of production for producers, which will reduce supply and increase the price.

The Price Mechanism

In free markets, resources are allocated by consumers and producers. The price of a good can play a key role here in allocating resources, without the need for government intervention.

One example of this is Uber. When there are major events on, such as pop concerts, there will be higher demand for Uber drivers, as many people want to get home. Can the price of Uber journeys help allocated drivers and passengers efficiently?

Following the higher demand for Uber drivers, the price of a journey is likely to rise. This change in price can help allocate resources, for example:

- **Higher fares ration available cars by willingness to pay:** to richer users, in some cases, but also to those less able to wait out the surge period or with fewer good alternatives. Therefore, the market has decided who will get an Uber af t erthe concert (i.e. it has **rationed** scarce resources).

- **Higher prices also boosts supply, at least locally:** the extra money for a journey is shared with drivers (**signalling** higher incomes being possible), who therefore have an **incentive** to travel to areas with high demand to help relieve the crush.

Activity: Uber

What are the benefits and drawbacks of taxi journeys being allocated by the free market, such as via Uber as explained above?

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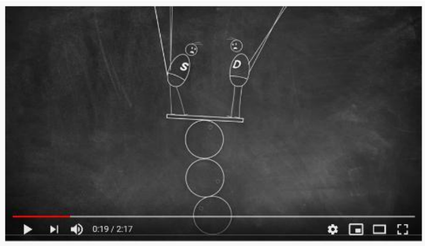
Activity: changes in Equilibrium Price

Crude Oil Prices

Using the video below and the chart above, answer the following quest ions

Oil's Wild Ride: What causes oil prices to fluctuate?



Oil's Wild Ride: What causes oil prices to fluctuate?

(a) Describe what has happened to oil prices since 2014

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(b) Explain the likely causes of the change in oil prices since 2014

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More Activities

Scarcity and Opportunity Cost [Head Start in A-Level Economics]

Open the link to explore more activities on scarcity and opportunity cost from tutor2u. The resource comprises a number of problem and research based activities that can be used to build understanding and confidence and ensure that you have a strong foundation for when you commence your year 12 studies in the autumn. Following completion of the tasks, you have the chance to access a number of interactive games via the Tutor2u website to consolidate your knowledge and understanding. When you have finished, check your answers.

https://www.tutor2u.net/economics/reference/scarcity-and-opportunity-cost-year-11-head-start-resource

There are lots of other transition resources you can access from the Tutor2u. Head Start in A-Level Economics is the new, free online transition resource to introduce Year 11 students to their A-Level Economics course. Work your way through each new topic as it is added.

https://www.tutor2u.net/economics/collections/head-start-for-alevel-economics-transition-resource-year-11-students

Holiday Activity

Your task is focused on researching and tracking the price of **one** commodity, such as:

- Gold
- Wheat
- Oil
- Copper
- Lead
- Cotton

You will need to:

a) Track how the price of your commodity has changed over the holiday period

b) Explain the changes in the price of your commodity since the global financial crisis (2008) AND how it has been affected by Covid 19.

Please present your findings in a written report which will be about 2– 3 pages. You are encouraged to use graphs and tables to illustrate your findings, as well as written analysis (which could include demand and supply diagrams).

This will be graded 0 – 3 where 0 is not submitted and 3 is very good. You will not receive individual feedback but failure to complete this work to a satisfactory standard could jeopardise your ability to continue with Economics.

Useful websites

http://www.statistics.gov.uk
(Office for National Statistics or ONS)

http://www.bbc.co.uk/news/business/economy/
(BBC NEWS – Economy)

http://www.tutor2u.net/blog/index.php/economics/
(Tutor2u website)