



Welcome to A-Level Economics!

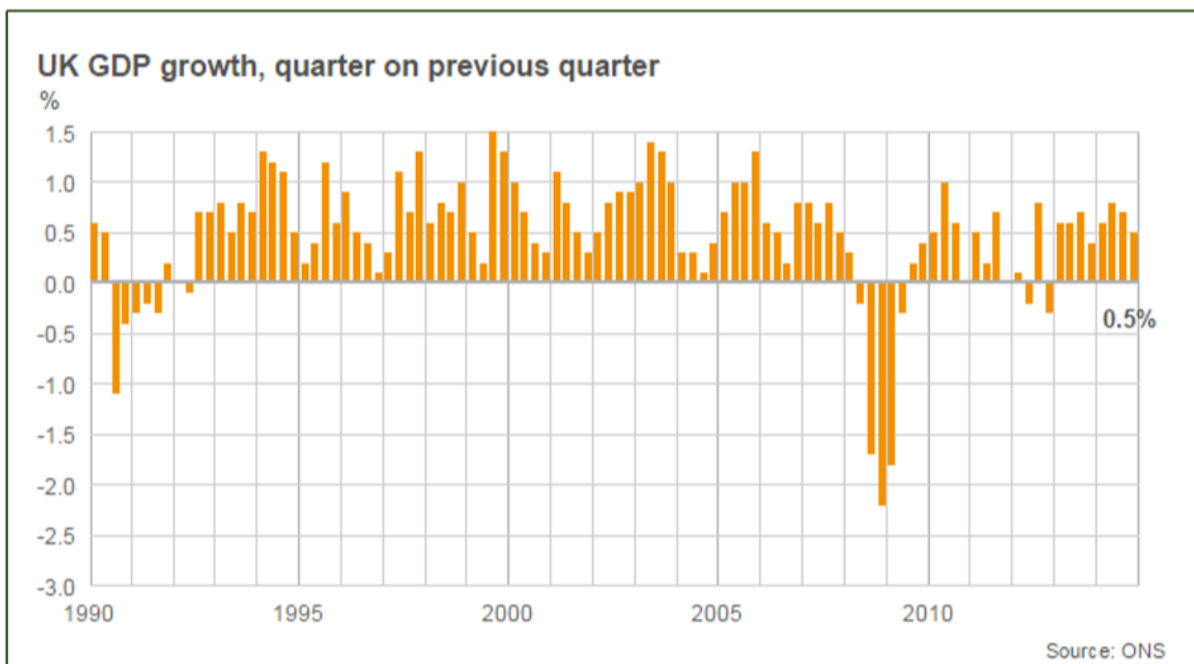
If you have never studied Economic before, you probably don't know too much about Economics at this stage. The 2008/09 global recession, Eurozone crisis, BREXIT and COVID-19 means that there are always interesting articles appearing in the news for you to follow. Keep up to date with what's going on in the world by listening to the Government's daily briefing. Pay particular attention to any briefing given by the Chancellor of the Exchequer, Rishi Sunek.

Economics is a challenging, technical and theoretical subject, and to be successful you will need to have a thorough grasp of the theory covered at A-Level. However, the more you can place economic theory in real world scenarios, the better you will be able to evaluate ideas and give yourself the chance of attaining top grades. You will also personally get more out of the course if you have a good understanding of prevailing economic climate in the UK, across Europe and in a global context.

You have two compulsory tasks to work on over the summer, plus 4 additional tasks and suggestions for wider research and reading, which will hopefully get you thinking about Economic issues that are going on in the UK right now. As you think about the questions, always think about the reasons that justify an opinion.

Why study this great subject? It is challenging, answers difficult questions and informs you about the world around you. It is very well received by universities and companies alike.

COMPULSORY TRANSITION TASK 1: Macroeconomics – GDP, the economic cycle and unemployment



GDP & Recession

All countries experience regular ups and downs in the growth of output, jobs, income and spending.

Gross domestic product (GDP) is a measure of a country's economic activity, including all the services and goods produced in a year. It is based on a huge survey of businesses and government departments compiled by the Office for National Statistics

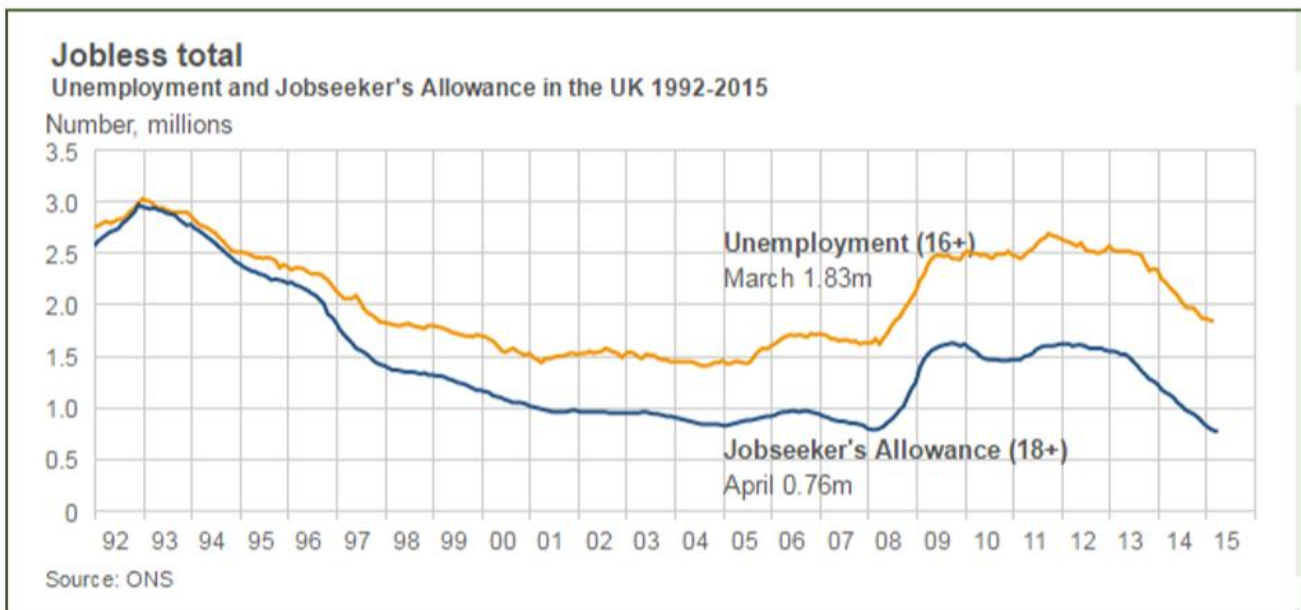
An economy is generally considered to be in recession if GDP falls (contracts) for two consecutive quarters ie 6 months. A recession means a fall in the level of real national output i.e. a period when growth is negative, leading to a contraction in employment, people's incomes and firm's profits.

In 2014 the UK's economy was in recovery and grew by 2.6% in 2014, the fastest pace since 2007 and up from 1.7% in 2013. For 2015 as a whole, GDP growth was down to 2.2%. The last quarter of 2015 saw GDP growth of only 0.5%, a three-year low. This was after the 2008/09 global recession which saw the UK economy contract seeing the worst negative periods of GDP growth since 1979.

A recovery occurs when real GDP picks up from the trough reached at the low point of the recession. The state of business confidence plays a key role here. Any recovery might be subdued if businesses anticipate that it will be temporary or weak in scale.

A recovery might follow a deliberate attempt by the government to stimulate demand. In the UK we have seen:

1. Cuts in interest rates – the policy interest rate fell to 0.5% in the Autumn of 2008 and they have stayed low ever since (as of 2020)
2. A rise in government borrowing
3. A policy of quantitative easing (QE) by the Bank of England to pump more money into the banking system in a bid to increase the supply of loans – now worth more than £375 billion.



Unemployment

A few months 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 since the 1950s, 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. Unemployment fell by 102,000 to 1.86 million in the three months to the end of January 2015, according to the latest Office for National Statistics (ONS) figures. The number of people claiming Jobseeker's Allowance in February fell by 31,000 to 791,200,

its lowest level since 2008. The employment rate now stands at 76.6%, the highest rate of people in work since the ONS began keeping records in 1971. 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

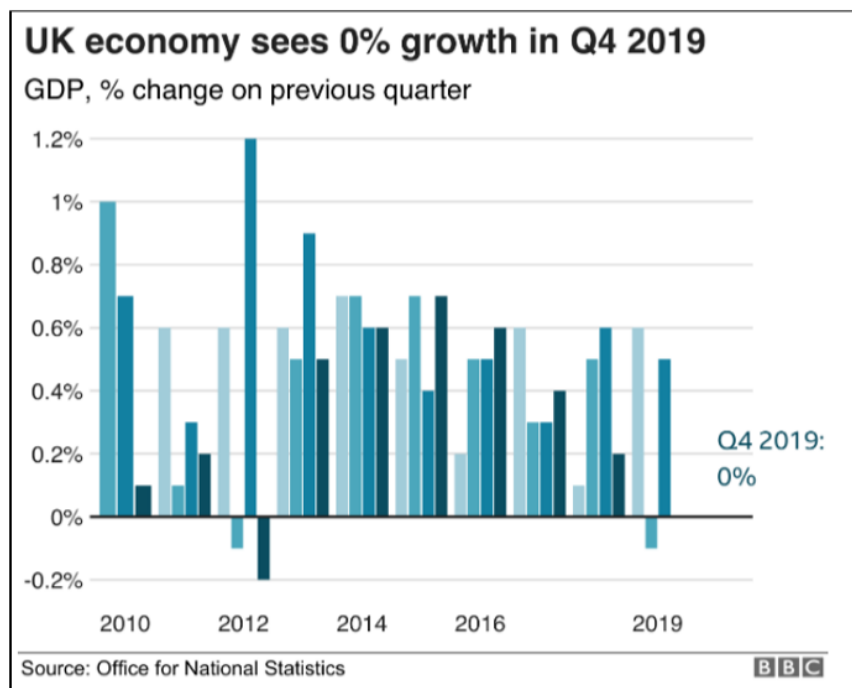
Government Policy

The Conservative government after being elected in 2015 have pursued a policy of reducing the budget deficit through a range of spending cuts known as Austerity. Before the election the Labour Party were proposed that cutting government spending too quickly would harm the British economy and felt to encourage economic growth government should spend to create jobs and therefore more spending would boost the economy further aiding economic recovery.

Article 2: UK economy saw zero growth at the end of 2019

(11 February 2020)

The UK economy saw no growth in the final three months of 2019, as manufacturing contracted for the third quarter in a row and the service sector slowed around the time of the election. The Office for National Statistics (ONS) said the car industry had seen a particularly weak quarter. The ONS figures also showed the economy grew by 1.4% in 2019, marginally higher than the 1.3% rate in 2018. Recent surveys have suggested that the economy has picked up in the new year.



How worried should we be?

Ruth Gregory, senior UK economist at Capital Economics, suggested that the flat growth seen at the end of the year would "prove to be a low point". She added: "The pick-up in the surveys of activity and sentiment suggest the first quarter will be much better. "The GDP figures were not quite as bad as we had feared in quarter four. The stagnation in GDP beat our forecast of a 0.1% quarter-on-quarter fall."

In December alone the economy grew by 0.3%, the ONS said, reversing the decline seen previously in November. "It's likely that political uncertainty and unwinding stockpiles caused the economy to flag at the end of last year," said Tej Parikh, chief economist at the Institute of Directors. "However, firms entered 2020 with more of a spring in their step. Confidence has shot up, while hiring plans and investment intentions have also risen a notch, but the postelection bounce may tail off."

Which sectors performed poorly?

Rob Kent-Smith, the ONS's head of GDP, said: "There was no growth in the last quarter of 2019 as increases in the services and construction sectors were offset by another poor showing from manufacturing, particularly the motor industry." The services sector - which accounts for more than three-quarter of the UK economy - grew by just 0.1% in the final quarter of 2019, while the construction sector grew by 0.5%. However, the manufacturing sector saw output fall by 1.1%. That came after some car factories paused work in November in case Britain left the European

Union without a deal on 31 October. The ONS revised up the growth figure for the third quarter of 2019 to 0.5% from its previous estimate of 0.4%.

What about trade?

The last three months of 2019 also saw the trade deficit in goods and services widen to £6.5bn from the £4bn deficit seen between July and September. A deficit occurs when the value of a country's imports in goods and services exceeds what it exports. The deficit widened largely because of a shrinking of the surplus in UK trade in services. By contrast, the goods trade deficit shrank in the last three months of 2019. That was mostly accounted for by a £2.2bn decrease in machinery and transport equipment imports, which could suggest that orders might have been brought forward to avoid the (postponed) October Brexit deadline. For 2019 as a whole, the trade deficit for goods and services narrowed slightly by £0.5bn to £29.3bn.

Task 1 Questions: (You will need to use the internet for research and write down your answers)

- 1) What is GDP? (Useful link: <https://www.bbc.co.uk/news/business-13200758>)
- 2) What is business confidence?
- 3) Research what caused the global recession of 2008/09? You could watch The Big Short to help
- 4) Explain three impacts of a recession or a slowing UK economy? Consider firms, workers & consumers
- 5) What can the UK government do to help an economy recover from an economic downturn (recession)?
- 6) What are interest rates? How do they impact firms & consumers? How might they help improve GDP?
- 7) What is a budget deficit?
- 8) Do you agree with the Conservative's approach of reducing the budget deficit (Austerity) or Labour's approach of spending to stimulate the economy? Justify your opinion.
- 8) What is a trade deficit? How might it impact the UK's economy?

COMPULSORY TRANSITION TASK 2: Microeconomics Minimum Prices

Minimum alcohol pricing plan 'may breach EU law' (BBC, 23 December 2015)

A European court has said the Scottish government's case for a minimum unit price for alcohol is contrary to EU law if other tax options exist. The European Court of Justice ruling instead recommends the introduction of alternative tax measures.

The Scotch Whisky Association (SWA) and First Minister Nicola Sturgeon have both welcomed the ruling. The legislation to bring in a minimum price of 50p per unit was passed by the Scottish Parliament in May 2012. A legal challenge was brought by the SWA, which argued the Scottish government's legislation breached European law.



The European court ruling said: "The Court of Justice considers that the effect of the Scottish legislation is significantly to restrict the market, and this might be avoided by the introduction of a tax measure designed to increase the price of alcohol instead of a measure imposing a minimum price per unit of alcohol." It added: "The

court states that it is ultimately for the national court to determine whether measures other than that provided for by the Scottish legislation, such as increased taxation on alcoholic drinks, are capable of protecting human life and health as effectively as the current legislation, while being less restrictive of trade in those products within the EU." Reacting to the judgement, Ms Sturgeon tweeted: "ECJ opinion on minimum pricing welcome. "We believe it is most effective way of tackling alcohol misuse. National court will now decide."

Health Secretary Shona Robison added: "This ruling from the Court of Justice of the European Union indicates, importantly, that it will be for the domestic courts to take a final decision on minimum unit pricing. "While we must await the final outcome of this legal process, the Scottish government remains certain that minimum unit pricing is the right measure for Scotland. We believe it is the most effective mechanism for tackling alcohol misuse and reducing the harm that cheap, high-strength alcohol causes our communities. "We maintain that minimum unit pricing would target heavy drinkers as they tend to drink the cheap, high strength alcohol that will be most affected by the policy. "The case will now continue to the Scottish courts, and we look forward to a hearing in the New Year to determine the outcome in this case."

David Frost, SWA chief executive, said: "The SWA always said European Union law issues were central to this case, and so it has proved. This settles EU law issues once and for all. "The court has confirmed that minimum unit pricing is a restriction on trade, and that it is illegal to choose MUP [minimum unit pricing] where there are less restrictive ways of achieving the same end. "The Scottish courts will now reflect on the implications of the ruling and all the evidence, before issuing a final judgement."

Analysis By BBC Scotland's home affairs correspondent Reevel Alderson Plus ça change, plus ça même chose. Wednesday's ruling from the European Court of Justice (ECJ) is far from the end of a legal process which began in 2012 when the Scottish Parliament passed legislation allowing a MUP for alcohol to be set. The matter will now return to the Court of Session in Edinburgh, which had asked the ECJ to rule on whether MUP contravenes EU law. The Scottish judges will have to examine all of the evidence to help them decide whether improvements in public health - which the government says is the desired aim of MUP - could be achieved by other means, notably increasing tax rates. Ministers have argued that MUP would specifically hit high-strength alcoholic drinks which cause significant problems, particularly among young people. Whatever the Court of Session decides, it is almost inevitable there will be a further appeal to the UK Supreme Court, either by the Scottish government or the Scotch Whisky Association, whose challenge to the policy has halted its implementation.

Alison Douglas, chief executive of Alcohol Focus Scotland, said the ruling showed Scotland would be able to introduce minimum pricing "provided it is more effective than taxation". Ms Douglas argued minimum pricing was a better measure than alcohol taxes, which are "limited in their ability to raise the price of the cheapest alcohol to a level that will actually reduce harm". She also criticised the Scotch Whisky Association, saying it had "blocked the democratic will of the Scottish Parliament and sacrificed public health to protect their members' profits".

The chairman of BMA Scotland, Dr Peter Bennie, added: "The case for minimum unit pricing has always been based on the fact that it achieves what taxation cannot when it comes to reducing the harm caused by alcohol, so the decision of the European Court setting out the test that must be applied to the policy is a welcome one. "Today's ruling returns the case to the Scottish courts and puts Scotland a step closer to implementing minimum pricing."

'Unhealthy relationship' Scottish Health Action on Alcohol Problems (Shaap), which represents medical professionals, also welcomed the judgement. Shaap director Eric Carlin said it "effectively confirms that the Scottish minimum unit pricing policy has to be justified as a regulatory measure to work alongside taxation increases. "We hope that the Scottish courts will now move quickly to gather evidence to conclude this case and that the Scottish government will then implement this key policy without delay." Holyrood ministers have previously said minimum pricing was vital to address Scotland's "unhealthy relationship with drink". Under the plans, the cheapest bottle of wine (9.4 units of alcohol) would be £4.69 and a four-pack of 500ml cans of 4% lager would cost at least £4. It would mean a 70cl bottle of whisky could not be sold for less than £14.

Article 2: Minimum price 'cuts drinking by half a pint a week' (26 September 2019)

The introduction of minimum pricing for alcohol in Scotland appears to have cut drinking, a study suggests. Since May 2018, the price of alcohol has had to be at least 50p per unit. The study published in the British Medical Journal looked at how much alcohol was bought in shops before and after the move up to the end of 2018. It found the amount purchased per person per week fell by 1.2 units - the equivalent of just over half a pint of beer or a measure of spirits. The biggest fall was among the heaviest fifth of drinkers - the amount purchased by this group fell by two units.

But overall Scots were still buying more than 14 units a week, the recommended limit, after the introduction of the new drinking laws. What is more, the analysis excluded pubs, bars and restaurants, where about a quarter of drinks are purchased.

Impact 'bigger than expected'

Scotland was the first country in the world to introduce a minimum price based on the strength of alcoholic drinks. Research findings have led to calls for the policy to be adopted across the UK. Wales is looking to introduce minimum pricing in 2020, but neither England nor Northern Ireland currently have plans to set a limit.

Researchers, led by a team at Newcastle University, looked at how much alcohol people were buying in shops and supermarkets, but not in pubs. They analysed the purchasing habits of 60,000 English and Scottish households between 2015 and 2018. Just over 5,000 of them were in Scotland.

The English households were used as a control group to measure what would have happened if there had not been a minimum price in Scotland. While households in England increased their consumption slightly, Scottish purchasing fell. The study said overall it represented a fall of 7.6%, or 1.2 units, a week per adult on what would have been expected. The team said that was about twice the impact predicted ahead of the move.

Reductions were most noticeable for beer, spirits, and cider, including own-brand spirits and high-strength white ciders.

But the team acknowledged there needed to be longer-term follow up to see if the drop was sustained, as there was some evidence that in the later months of 2018 consumption had begun to rise again.

Lead researcher Prof Peter Anderson said: "You would expect some levelling off from the initial impact, but I think the findings are enough to suggest minimum pricing is effective and should be adopted across the UK."

Eric Carlin from the Royal College of Physicians of Edinburgh, agreed the evidence was compelling, but he said risky alcohol consumption was a "complex" public health issue.

"No single policy lever should be seen as a panacea," he added. Scottish public health minister Joe Fitzpatrick said the findings were "very encouraging".

Task 2 Questions: (You will need to use the internet for research and write down your answers)

- 1) If available watch the BBC Panorama documentary – Britain's drink problem
- 2) Why do consumers purchase different goods? What is utility in economics?
- 3) What is supply and demand? How are market prices determined? What is a market equilibrium?
- 4) What reasons do the government have for introducing minimum alcohol pricing?
- 5) In what ways might a minimum price on alcohol be considered 'unfair'?
- 6) Do you think a similar minimum price should be introduced in England and Wales? (What three reasons justify this opinion?) What impacts might it have?
- 7) Explain two different policies the government could use to achieve its aim of reducing alcohol abuse?

Wider Reading and Preparation for A-Level Task 1: Famous Economists

Go to the following links and read through them:

- <http://www.tutor2u.net/economics/blog/the-invisible-hand-bbcs-a-history-of-ideas>
- <http://www.tutor2u.net/economics/blog/ricardo-ricardo-that-wonderful-guy-innovation-joblosses-and-living-standards>
- <http://www.tutor2u.net/economics/blog/the-relevance-of-keynesian-economics>
- <http://www.tutor2u.net/economics/topics/smith-adam>
- <http://www.tutor2u.net/economics/blog/keynes-phillips-vs-von-mises-hayek-the-tag-team-fight-of-the-century>
- <http://www.tutor2u.net/economics/blog/keynes-v-hayek-the-bbc-debate>
- <http://www.tutor2u.net/economics/blog/marx>
- <http://www.tutor2u.net/economics/blog/marx-and-the-labour-theory-of-value>

Choose ONE famous Economist that you would like to create a poster on.

Your task is to produce an eye catching poster summarising the Economist's key ideas, theories and works. Find appropriate images, including a photo of the Economist, to make your poster visually attractive.

Present your poster on A4 size paper in either portrait or landscape. The choice is yours.

The posters considered to be the most captivating will be chosen to go on display in the Economics classroom next year.

Wider Reading and Preparation for A-Level Task 2 - Tutor2u Head Start in A Level Economics activities

Tutor2u (who you'll come to know very well) have put together a series of six online lessons for Year 11 students covering aspects of the economics of the coronavirus pandemic and global economic crisis. Each lesson has three videos alongside suggestions for wider reading and a linked worksheet.

Copy and paste this link into your browser to access the resources:

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

There are currently the following units of study:

- Introduction to Macro economics
- Introduction to globalisation
- Unemployment

More units will be added as they are written. Working through these will really give you a flavour of what Economics is all about and demonstrate your commitment to this subject.

Wider Reading and Preparation for A-Level Task 3: Economics Terms Activity

Match the economics terms and phrases with the statements

Economic terms/phrases

A. Collective bargaining	F. Production	K. Competition
B. Standard of living	G. Profits	L. Consumer
C. Freedom	H. Free enterprise	M. Economics
D. Capital	I. Regulation	N. Gross Domestic Product (GDP)

Statements

1. Reflects productivity and growth.
2. Rivalry among sellers for the customer's money.
3. Special quality of a competitive economic system.
4. Study of production, distribution and consumption.
5. Economy where the government has central control.
6. Someone who uses goods and services.
7. Amount left over after the costs of running the business have been paid.
8. Value of all goods and services produced in the country within a year.
9. Rules enforceable by law.
10. The use of goods/services for the production of capital goods or for the satisfaction of personal needs and wants.
11. Economic system characterised by private ownership of capital goods.
12. Making goods and providing services for human consumption.
13. A process by which unions establish higher wages and better working conditions.
14. Money that is collected from businesses and individuals to fund a government's budget.
15. Money used to start or expand a business.

Research tip:

If you're trying to find further information on a topic, e.g. inflation, Google the term and one of the economics theory websites. So you would Google 'inflation economics help'.

Wider Reading and Preparation for A-Level Task 4: Taxation and Government Spending (Fiscal Policy)**Research**

Activity Complete the missing letters;

IN _ E _ _ T _ _ C _ TAX _ A _ _ E - A _ _ E _ TAX _ _ C _ _ _ TAX
 _ _ P _ T _ _ GA _ _ S TAX _ O _ P _ O _ _ T I O _ TAX S _ _ _ _ D _ _ _
 _ A _ I O _ _ L I _ S U _ A _ C _

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/183408/A_guide_to_UK_taxation.pdf

<https://www.gov.uk/government/organisations/hm-revenue-customs>

Use the links above to find out the following (you may need to use other websites too):

- a. The top five areas of expenditure for the UK government and the amount spent on them
- b. The top five taxes for the UK government and the amount they bring in
- c. The amount spent by the government each year for the past 10 years; calculate the year on year percentage changes
- d. What is income tax?
- e. The four different income tax bands in the UK
- f. What is corporation tax?
- g. Current rate of corporation tax in the UK
- h. The four G20 countries with the lowest rates of corporation tax
- i. What is national insurance?
- j. How much per week can be earned before paying national insurance contributions?
- k. What is VAT?
- l. Current rate of VAT
- m. Goods exempt from VAT
- n. What is capital gains tax?
- o. The top rate of capital gains tax in the UK
- p. What is stamp duty?
- q. What are the different rates of stamp duty?

Recommended reading and watching for the summer: Websites:

Great for A level Economics theory:

- Tutor2u - <http://www.tutor2u.net/economics>
- Economics Help – <http://www.economicshelp.org>
- EconplusDal – <http://www.econplusdal.com> • Economics Online - <http://www.economicsonline.co.uk/>
- Investopedia – <http://www.investopedia.com>
- YouTube – there are a wide range of YouTube revision videos available on all A Level Economics topics, popular channels include EconplusDal and Khan Academy

Great for economics in the news:

- BBC News (economy section) - <http://www.bbc.co.uk/news/business/economy>
- The Guardian (economics section) – <https://www.theguardian.com/business/economics>
- The Telegraph (economy section) – <http://www.telegraph.co.uk/business/economy/>
- The Independent (money section) – <http://www.independent.co.uk/money>
- This is money – <http://www.thisismoney.co.uk>

Great for economics data:

- Office for National Statistics - <https://www.ons.gov.uk/>
- Trading Economics – <http://www.tradingeconomics.com>

Books:

- The Economics Book by Niall Kishtainy
- Economics: The User's Guide: A Pelican Introduction by Ha-Joon Chang
- Cracking Economics by Tejvan Pettinger
- Freakonomics: A Rogue Economist Explores the Hidden Side of Everything by Levitt, Steven D., Dubner
- The Undercover Economist by Tim Harford
- The Euro by Joseph Stiglitz • Capital in the Twenty First Century by Thomas Piketty
- Doughnut Economics by Kate Raworth
- GDP: A Brief but Affectionate History by Professor Diane Coyle

Magazines:

- Economic Review
- The Economist

Films:

- The Big Short (2015) – biographical drama-comedy film
- Margin Call (2011) – drama film
- Rogue Trader (1999) – biographical drama film
- Boiler Room (2000) – crime, drama film • Wall Street (1987) – drama film
- Enron: The Smartest Guys in the Room (2005) - documentary
- Inside Job (2010) – documentary
- RBS: Inside the Bank that Ran out of Money (2011)
- Inside Job (2010) – documentary
- The Corporation (2006)
- Made in Dagenham

Each student will need to give this completed work in during the first lesson in September.

Any questions on this – please email either Mr Hanif or Mrs Chappell

**yhanif@cardinalnewmanschool.net
mchappell@cardinalnewmanschool.net**