

# ECONOMICS

Economics is about forces that effect peoples' lives – employment, prices, trade and poverty. Economics reflects current affairs and the political situation. The subject develops skills of logical analysis, research and communication as many of the 'live' issues affecting the global economy are debated.

## **New Economics A-Level**

AS specification reference: 7135

A-Level specification reference: 7136

The AS covers two modules:

- The operation of markets and market failure
- The national economy in a global context

### **The operation of markets and market failure**

Students will be required to apply knowledge and understanding of microeconomic models and apply this to current problems and issues. Topics covered include:-

- The nature and purpose of economic activity – understanding that the central purpose of economic activity is the production of goods and services to satisfy needs and wants.
- Economic Resources – scarcity, choice and allocation – all resources are scarce and this influences their allocation and the production of goods and services.
- The Economic Objectives of Individuals, Firms and Government – students will appreciate that each group has different economic objectives.
- Supply and Demand – understanding how the supply or demand for a good determines the price and the quantity produced and how a shift in demand or supply of a good can affect the firm or individual.
- The Application of Supply and Demand to Particular Markets – investigating how supply and demand affects such sectors as commodities (oil and gas), agriculture, housing, healthcare, sport and leisure.
- Specialisation Division of Labour – understanding the benefits of specialisation of the labour force.
- Economies of Scale – being able to bulk buy reduces the unit cost of a good and may help to develop monopolies.
- Market Failure – why markets fail and understanding the difference between complete and partial market failure.
- Inequalities in the Distribution of Income and Wealth – how individuals' ability to consume goods and services depends upon their wealth.
- Government Intervention – the reasons for government intervention in markets and the impact it has.

### **The national economy in a global context**

Students will gain knowledge of how the national economy works and be able to analyse and evaluate government policy. Topics include:

- The Economic Cycle – investigating the reasons behind 'boom, recession and bust' phases of the economy.
- Aggregate Supply and Aggregate Demand – the total supply of goods and the national demand for goods, covering imports, exports, investment in capital goods and consumption.
- Objectives of Government Policy – what the government wants to achieve and the political conflicts in attaining these objectives.
- Economic Growth – how growth is achieved when productive capacity of the economy is increasing.
- Inflation and Deflation – understanding how price inflation and deflation affects the economy.
- Employment and Unemployment – looking at the measures of unemployment, the demand and supply of skills and the closing of the resultant skills gap.
- Balance of Payments – covering trade in goods and services, both nationally and internationally and understanding how surpluses and deficits arise.
- Fiscal Policy – how this is used to influence individual spending and how government spending and taxation can affect the pattern of economic activity.
- Monetary Policy – use of interest rates, the money supply and exchange rates to encourage growth or slowdown in the economy.

The A-Level specification reference: 7136

Building upon the topics learnt in the AS the A-Level covers two modules:

- Economic principles and issues
- The national and international economy

### **Economic principles and issues**

This module will enable students to understand the operation of the labour market, competition and economic efficiency and the topics covered include:

- Objectives of the Firm – aims and objectives including profit maximisation.
- Ownership and Control – the separation from ownership and control and its significance for firms.
- Costs and Revenues – understanding and calculating the different types of cost and revenues.
- Competition – firms do not compete on price alone, but look to improve quality of product and service provided.
- Efficient Allocation of Resources – in the light of perfect competition firms should be able to allocate all of their resources efficiently with the minimum of waste.
- Monopoly and Oligopoly – how one or a small number of large companies dominate a market.
- Demand and Supply of Labour – building on knowledge acquired in ECON 2: The National Economy.
- Influence of Trade Unions – how working conditions and wage settlements affect a competitive labour market and impact on firms.
- Minimum Wage – the impact of this legislation on the labour market and firms.
- Distribution of Income and Wealth – how wealth and income are distributed throughout the UK looking at the costs and benefits of equal and unequal distributions.
- Government Intervention – how markets succeed or fail notwithstanding government competition policy.
- Public, Private Ownership and the De-Regulation of Markets – the arguments between each type of ownership and the public/private conflict in state owned institutions.
- Problems of Poverty – understanding the difference between relative and absolute poverty and their true economic effect.

### **The national and international economy**

This unit builds upon macroeconomic knowledge learnt in the first year but in a greater level of depth and with a more global context.

- National Income Data – the use and limitations of this data to draw conclusions on living standards.
- Economic Cycle and Growth – analysing trends and evaluating factors underlying those trends.
- Macroeconomic Models and Policies – use of these models to analyse short run and long run policy objectives and the possible conflict between them.
- Inflation and Deflation – understanding how indices are calculated and used to measure changes in the price levels.
- Monetary Policy and Money Supply – looking at how the Bank of England uses the supply of money and the base rate of interest to achieve the inflation target.
- Globalisation – understanding the causes of globalisation and the consequences for developing and developed countries.
- Trade – movement of goods and services between countries and the costs and benefits of trade.
- Exchange Rate Systems – fixed and floating exchange rates their implications for domestic markets.
- European Union (EU) – how the EU works and the impact on the UK of the single European market, the Euro and enlargement.

Students who study Economics will develop a wider understanding of current issues and develop the analytical and evaluative skills to interpret information and draw meaningful conclusions.