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Sixth  
Form

# Summer Assignment

## A Level Economics

**Micro Teacher: Mr Singh & Ms Judge**

**Macro Teacher: Ms Zapata & Mr Raja**

**Exam board: Edexcel Specification A**

This transition pack will provide you with a brief outline of the course structure and a reading list of sources and videos. You may wish to use these sources before and throughout the course to improve your wider understanding. This pack also contains some interesting activities to get you thinking ready for the first few weeks of the course. 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 and BREXIT vote means that there are always interesting articles appearing in the news for you to follow.

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. This pack gives you some ideas of how you can keep up to date. You have two tasks to work on over the summer. These should not take up too much of your time, but will hopefully get you thinking about two Economics 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.

Basic course overview: You will study the Edexcel Economics 2015 course over 2 years which is assessed at the end of this time by 3 examinations. The basic overview of the course content can be seen below:

**Theme 1: Introduction to markets and market failure**

This theme focuses on microeconomic concepts. Students will develop an understanding of:

- nature of economics
- how markets work
- market failure
- government intervention.

**Theme 2: The UK economy – performance and policies**

This theme focuses on macroeconomic concepts. Students will develop an understanding of:

- measures of economic performance
- aggregate demand
- aggregate supply
- national income
- economic growth
- macroeconomic objectives and policy.

**Theme 3: Business behaviour and the labour market**

This theme develops the microeconomic concepts introduced in Theme 1 and focuses on business economics. Students will develop an understanding of:

- business growth
- business objectives
- revenues, costs and profits
- market structures
- labour market
- government intervention.

**Theme 4: A global perspective**

This theme develops the macroeconomic concepts introduced in Theme 2 and applies these concepts in a global context. Students will develop an understanding of:

- international economics
- poverty and inequality
- emerging and developing economies
- the financial sector
- role of the state in the macroeconomy.

## Year 1 Economics – Wider reading

<b>Article: Opportunity Cost</b>
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*Read the article on the following pages*

Define the following key terms	
<b>Opportunity Cost</b>	<b>Production possibility curve</b>
<b>Unemployment</b>	<b>Economic Growth</b>

Key points from the article

How could you use the information from this article in an examination or on your course?



# Opportunity cost

In this column, **Peter Smith** introduces some key economic concepts that you will meet in the early weeks of your course

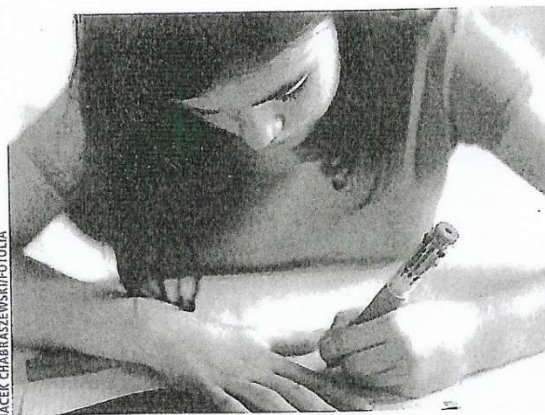
Imagine that it is 6.30 p.m. on a Wednesday evening in June. In the afternoon you sat the first of your AS module exams, so you are feeling pretty tired. You have the following day free, but you have another exam on the Friday — it is maths, which is the exam that worries you the most. A friend texts you suggesting that you chill out this evening and meet up. Do you:

- knuckle down to maths revision, knowing that you need to put in as much work as possible?
- go out with your friend (who has finished her exams)?
- stay in and watch TV?
- have an early night?

Whenever you face a decision such as this, you can invoke one of the most important concepts in economic analysis — the notion of **opportunity cost**. All decisions that we make arise because of some form of scarcity. In this particular case, time is limited, so you cannot do all of the alternative things listed above. You cannot knuckle down to maths revision and go out with your friend at the same time. Scarcity of time forces you to make a choice. When

considering the alternatives, you need to weigh up the costs of each way of spending the evening.

The key insight associated with the notion of opportunity cost is that the cost of each alternative does not depend solely on the financial cost involved.



What is the opportunity cost of going to the cinema (above) instead of revising?

A night out with your friend may involve some financial expenditure, depending on where you go (e.g. to the cinema). However, that is not the only cost of the evening. The true cost is that by choosing to go out, you lose the opportunity of getting ahead on your maths revision. It is important that you take this into account and also that you notice the cost is much lower for your friend, who has already finished her exams. This provides us with the definition of opportunity cost — the opportunity cost is the cost of the next best alternative that is forgone when you make a particular decision.

It may not be straightforward to quantify this opportunity cost. If you are really tired after your exam efforts that day, then you may not be in a position to revise effectively, so a night out may relax you and leave you better able to revise well on the following day. Had the exam been on the very next day,<sup>1</sup> then the cost of going out might be higher. On the other hand, getting a poor grade in your maths exam may have long-term effects on your prospects of going to university or following your planned career path.

### The production possibility frontier

Here is another example of opportunity cost. Alan has a small piece of garden that he likes to devote to growing vegetable produce. This year he has decided to grow either marrows or pumpkins — or a combination of the two. The opportunity cost in this case is clear — the more of the plot that is given over to marrows, the lower the number of pumpkins that can be produced.

We can depict the choices open to Alan by using a simple diagram showing what is known as the **production possibility frontier (PPF)**, or **production possibility curve**. This is shown in Figure 1. The PPF shows the maximum

How much land should Alan devote to pumpkins?

combinations of marrows and pumpkins that Alan is able to produce given the size of his plot of land. For example, if he chooses to grow only marrows then he would be at point A on the diagram, whereas if he grows only pumpkins then he would produce at point B. If he chooses to divide the plot of land between the two products, then his choices are given by the frontier. For example, at point D, Alan would be producing a combination of  $M_1$  marrows and  $P_1$  pumpkins.

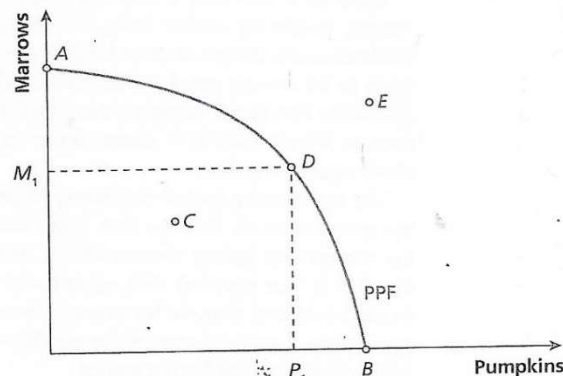


Figure 1 The production possibility frontier

As we move along the curve from left to right, Alan gives up producing some marrows in order to use some of the land for pumpkins. Indeed, the *slope* of the frontier tells us the rate at which he must give up marrows for pumpkins, and this therefore measures the opportunity cost of pumpkins in terms of marrows.

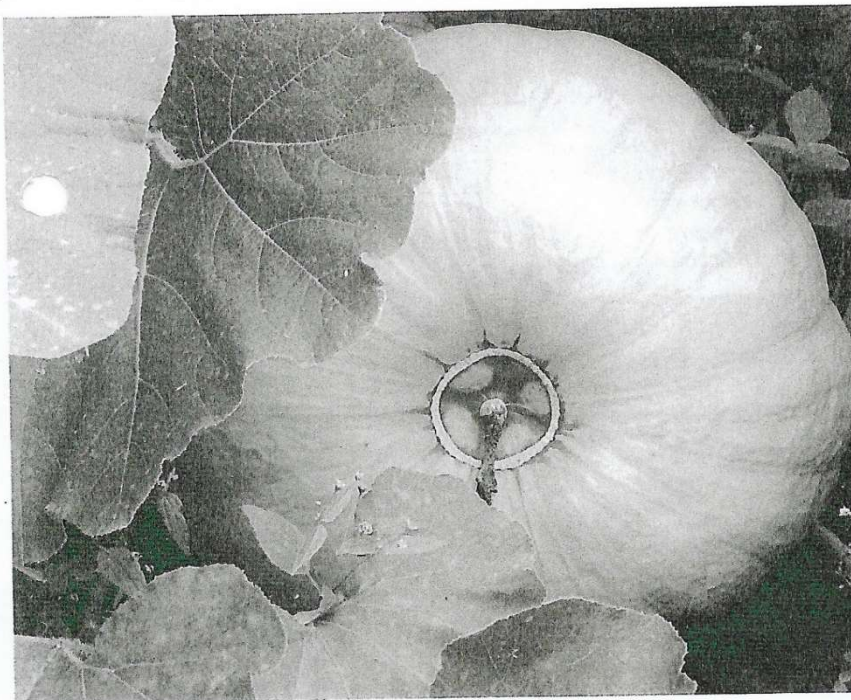
Notice that close to point A, Alan gives up relatively few marrows in order to grow more pumpkins when compared to the situation as we approach point B, when the last few pumpkins are more costly in terms of marrows. This reflects **diminishing returns** in the production of these products, in the sense that the more land that is used in producing either crop, the less marginal return is received. If there were no diminishing returns, then the PPF would be a straight line.

Notice that because the PPF is a frontier showing the maximum combinations of the two products that can be grown, a point such as E is unattainable, whereas a point such as C would leave some resources unused.

We can relate these positions to some other well-known economic concepts. Point C entails some under-utilisation of factors of production. This could therefore be interpreted as **unemployment**. On the other hand, if the PPF were to shift outwards, perhaps because of some technological progress, this could be seen as **economic growth** — an expansion of the productive capacity of an economy. In the marrows and pumpkins case, this could happen if Alan begins to use a new and improved type of fertiliser.

### The theory of the firm

As your economics course progresses, you will come to study the theory of the firm — the way in which firms take decisions. These decisions include making choice



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about what product or products to produce, which entails deciding in which market the firm is going to operate. In addition, firms need to decide how much output to produce, and in some markets they may also be able to influence the price at which their product sells. The notion of opportunity cost is also important in this context.

Consider a firm that is currently active in a particular market, producing leather belts, for example. The firm becomes aware that producers of leather covers for iPhones seem to be making good profits. Under what conditions should the firm decide to switch away from manufacturing belts to iPhone covers? It comes down to a judgement about opportunity cost.

The opportunity cost of continuing to produce belts is the potential profit that the firm could make by leaving the market and joining the market for iPhone covers. If the firm is not covering that opportunity cost, then it would be rational to make the change. This need to cover opportunity cost thus becomes the condition under which a firm chooses to exit from a market.

This is often expressed in terms of **normal profit**. This is defined as the rate of return that a firm needs to make in order to remain in its present market. It is defined taking into account opportunity cost.

This notion is a powerful tool for economists wanting to analyse the way in which a market evolves over time. If the firms in a market (such as that for iPhone covers) are making profits above the opportunity cost in the market, then this

will be attractive to other firms, who may exit from their less profitable activities in order to take advantage of the new market. In doing this, they are responding to the perceived opportunity cost of their present activity.

One thing that the firms may not realise when they take the decision to switch is that the benefits may be short-lived if many other firms are taking the same decision. If lots of firms are expanding their output of iPhone covers, then as supply in the market increases, the price of these will tend to fall. At the same time, the supply curve of belts will shift to the left as firms exit the market, and prices will tend to rise. This process of adjustment of prices will affect the relative profitability (and hence relative opportunity cost) of the two products. Eventually, prices will have adjusted to the point where firms no longer have an incentive to switch production, as they are just covering opportunity cost in their present activity. The markets are then said to be in **long-run equilibrium**.

### Summary

Scarcity affects us all in our everyday lives. In choosing one course of action over another, there is always sacrifice of the next-best alternative. This is why opportunity cost is such an important concept within economic analysis. Economics helps us to understand how society works in coordinating those choices, and as your course progresses you will begin to see how the price mechanism helps to deal with the allocation of resources. □

# An Introduction to Economics

So, here it is — your shiny new Economics book. Ready to get down to business... or economics? Good. Let's get cracking. This page is for AQA, Edexcel and OCR.

## Economics is a Social Science

- 1) Economics is considered to be a **social science** because it looks at the **behaviour** of **humans**, either as individuals or as part of organisations (such as firms and governments), and their use of **scarce resources** (see p.6 for more).
- 2) The **methodology** that economists use to tackle Economics is **similar** to the methodology used by scientists in **natural and other sciences** (e.g. Biology). Economists will:
  - Develop **theories** and create economic **models** to explain phenomena (e.g. how exchange rates are determined).
  - Use **simplifying assumptions** to limit the number of variables in an investigation.
  - **Test** theories and models against relevant known facts, making use of observation, deduction, graphs, statistics and other tools.
  - Use **empirical data** to improve and revise their economic models.
  - Use economic models to make **predictions**.
- 3) However, **unlike** in natural sciences, economists **can't** conduct **controlled laboratory experiments** where only one variable is changed at a time. For example, if an economist examines the impact of price on the demand for cheese, they can't keep consumers' income constant — in the **real world**, income won't remain constant.
- 4) To get around the problem of the existence of multiple variables in an economy, economists use the **assumption** known as **ceteris paribus**, which is Latin for '**all other things remaining equal**'.
- 5) Economists use *ceteris paribus* when they're looking at the **relationship** between **two factors** (e.g. price and demand). They'll **assume** that **only** these two factors change and **all other factors** (e.g. income, changes in taste) that would have an effect on any other variable being considered **remain the same**.
- 6) Using *ceteris paribus* enables economists to **develop theories** and **models**, and **make predictions**.

Empirical data is data collected from experiments or real-life observation.

## Economic Decisions might not always make the most Economic Sense

Because Economics deals with real people, you have to keep in mind that the **decisions** made by **individuals, firms or governments** will often be based on **opinions** and **judgements**. For example, decisions might be based on:

- **Normative statements** (see below), which are people's **opinions**.
- **Moral views** and **value judgements** (e.g. the view that people shouldn't live in poverty, so wealth should be shared).
- **Political judgements** (e.g. lowering taxes may win votes for a government).
- **Short-term positive consequences** of a decision, regardless of long-term consequences (e.g. reducing taxes may win an election, but it will reduce the government's income and may lead to public spending cuts).

## There are Two Kinds of economic statement

Before moving on to more specific things, you need to know about the **two** kinds of **statements** you can make in economics.

### POSITIVE statements

**Positive statements** are **objective** statements that can be **tested** by referring to the available **evidence**.

- For example:  
"A reduction in income will increase the amount of people shopping in pound shops."
- With suitable data collected over a period of time, you should be able to tell if the above claim is true or false.

Positive statements are important because they can be **tested** to see whether **economic ideas** are **correct**.

### NORMATIVE statements

**Normative statements** are **subjective** statements which contain a **value judgement** — they're **opinions**.

- For example:  
"The use of fossil fuels should be taxed more highly than the use of renewable fuels."
- It's not possible to say whether the above statement is true or not — only whether you agree or disagree with it.

Normative statements are also important because **value judgements** influence **decision-making** and **government policy**, e.g. a political party in government may wish to increase taxes for the rich to redistribute income to the poor.

# The Economic Problem

If you condensed Economics down to one statement it'd be something like: Economics is all about satisfying infinite wants and needs with limited resources. "What does that mean?", I hear you ask. Well, read on and find out... **For all boards.**

## Economics — how best to satisfy Infinite Desires using Limited Resources

- 1) Everyone has certain basic **needs** in life — e.g. food, water, a place to live, and so on. Everyone also has an infinite list of things they **want** — e.g. designer clothes, smartphones, holidays, houses.
- 2) However, there's a **limited** amount of **resources** available to satisfy these needs and wants (i.e. resources are **scarce**).
- 3) These facts lead to the **basic economic problem**:

**How** can the available **scarce resources** be used to satisfy **people's infinite needs and wants** as effectively as possible?

## There are Four Factors of Production

The scarce resources (inputs) used to make the things people want and need (outputs) can be divided into four **factors of production**. These factors are: **Land, Labour, Capital** and **Enterprise**.

Individuals and firms are rewarded for providing these factors, e.g. with wages or rent.

### Land: including all the Natural Resources in and on it

As well as actual 'territory', **land** includes all the Earth's **natural resources**:

- **non-renewable** resources, such as natural gas, oil and coal
- **renewable** resources like wind or tidal power, or wood from trees
- **materials** extracted by mining (e.g. diamonds and gold)
- **water**
- **animals** found in an area

Non-renewable resources will eventually run out if we carry on using them.

Renewable resources can regrow or regenerate. But some renewable resources have to be used carefully if they're not to run out — e.g. to be sustainable, enough trees need to be planted to replace those that are used.

- 1) Nearly all things that fall under the category of 'land' are **scarce** — there **aren't enough** natural resources to satisfy the demands of everyone.
- 2) One exception is **air**, but even this isn't as simple as it first looks...
  - Air is **not** usually considered a scarce resource — there's enough for **everyone** to have as much as they want.
  - But this **doesn't** mean all air is equally good — air can be **polluted**, as can be seen in a lot of big cities.
  - In fact, the **environment** is considered by some people to be a **scarce resource**.

Because there's enough air for everyone to have as much as they want, in theory it's **impossible** to sell it. (Why would you **buy** it when you can get it **for free**?) Economists call things like this **free goods**. Things that are **scarce** and which can therefore be traded are known as **economic goods**.

### Labour: the Work done by People

- 1) Labour is the **work done** by those **people** who contribute to the production process. The population who are available to do work is called the **labour force**.
- 2) There's usually also a number of people who are **capable** of working and who are **old enough** to work, but who **don't** have a job. Economists refer to these people as **unemployed**.
- 3) There are also people who **aren't** in **paid employment** but still provide things people need or want, e.g. homemakers.
- 4) Different people have different levels of education, experience or training. These factors can make some people more 'valuable' or productive in the workplace than others — they have a greater amount of **human capital**.

In the UK, the number of people of working age with a job is around 30 million.

### Capital: Equipment used in producing goods and services

- 1) **Capital** is the equipment, factories and schools that help to produce goods or services.
- 2) **Capital** is different from **land** because capital has to be **made** first.
- 3) Much of an economy's capital is **paid for** by the **government** — e.g. a country's road network is a form of capital.

### Enterprise: willingness to take a Risk to make a Profit

**Enterprise** refers to the people (**entrepreneurs**) who take **risks** and create things from the other three factors of production.

- 1) They set up and run **businesses** using any of the factors of production available to them.
- 2) If the business **fails**, they can **lose** a lot of money. But if the business **succeeds**, the **reward** for their risk-taking is **profit**.



# The Economic Problem

## Scarcity requires the Careful Allocation of Resources

- 1) **Economic activity** involves **combining** the factors of production to create **outputs** that people can **consume**. The **purpose** of any economic activity is to **increase** people's **economic welfare** by creating outputs that **satisfy** their various **needs** and **wants**.
- 2) In Economics a wide range of things count as **economic activity**.
- 3) One form of economic activity is the making of **goods** and the provision of **services** (i.e. creating outputs).
  - **GOODS**: 'Physical' products you can **touch** — such as washing machines, books or a new factory.
  - **SERVICES**: 'Intangible' things — such as medical check-ups, teaching, or train journeys.
- 4) **Consumption** (i.e. buying or using) is also a form of **economic activity**. When you consume something, you're trying to satisfy a **need** or a **want**. You can consume both goods and services.

Lots of other things are also classified as economic activity, such as doing housework, DIY and bringing up children (even though you might not get paid for doing it).
- 5) Since there's an **endless** array of things that could be produced and consumed, but only **limited resources**, this leads to three fundamental questions:
  - **What** to produce?
  - **How** to produce it?
  - **Who** to produce it **for**?

## Economic Agents react to Incentives

- 1) The **agents** ('participants') in an economy can usually be thought of as:

**Producers** — firms or people that make goods or provide services.

**Consumers** — people or firms who buy the goods and services.

**Governments** — a government sets the rules that other participants in the economy have to follow, but also produces and consumes goods and services.

- 2) Each of these **economic agents** has to make **decisions** that affect how resources are allocated. For example:
  - **Producers** decide what to make, and how much they're willing to sell it for.
  - **Consumers** have to decide what they want to buy, and how much they're willing to pay for it.
  - **Governments** have to decide how much to intervene in the way producers and consumers act.
- 3) In a **market economy** (see page 10), all economic agents are assumed to be **rational** (see page 14), which means they'll make the decisions that are best for **themselves**. These decisions will be based on economic **incentives**, such as making profit or paying as little as possible for a product.
- 4) Considering people's incentives helps to answer those fundamental questions above.
  - **What to produce?** This will be those goods that firms can make a profit from.
  - **How to produce it?** Firms will want to produce the good in the most efficient way they can, in order to maximise their profits.
  - **Who to produce it for?** Firms will produce goods for consumers who are willing to pay for those goods.

So in effect consumers decide what is to be produced. Producers won't want to produce things that nobody wants to buy.

## Practice Questions

- Q1 What is the basic economic problem?
- Q2 What are the four factors of production? Give an example of each.
- Q3 Give three different types of economic agent.

## Exam Question

- Q1 State and explain three factors of production which would be necessary for opening a new restaurant. [6 marks]

## Learn the facts about factors of production...

Economics is a funny one... you might think it's going to be all about banks and money and stuff. But there's a bit of groundwork to do before you get to all of that. It's interesting though, and getting your head around all of this will definitely help you later on. Those four factors of production are at the heart of everything in economics, by the way... so learn them well.

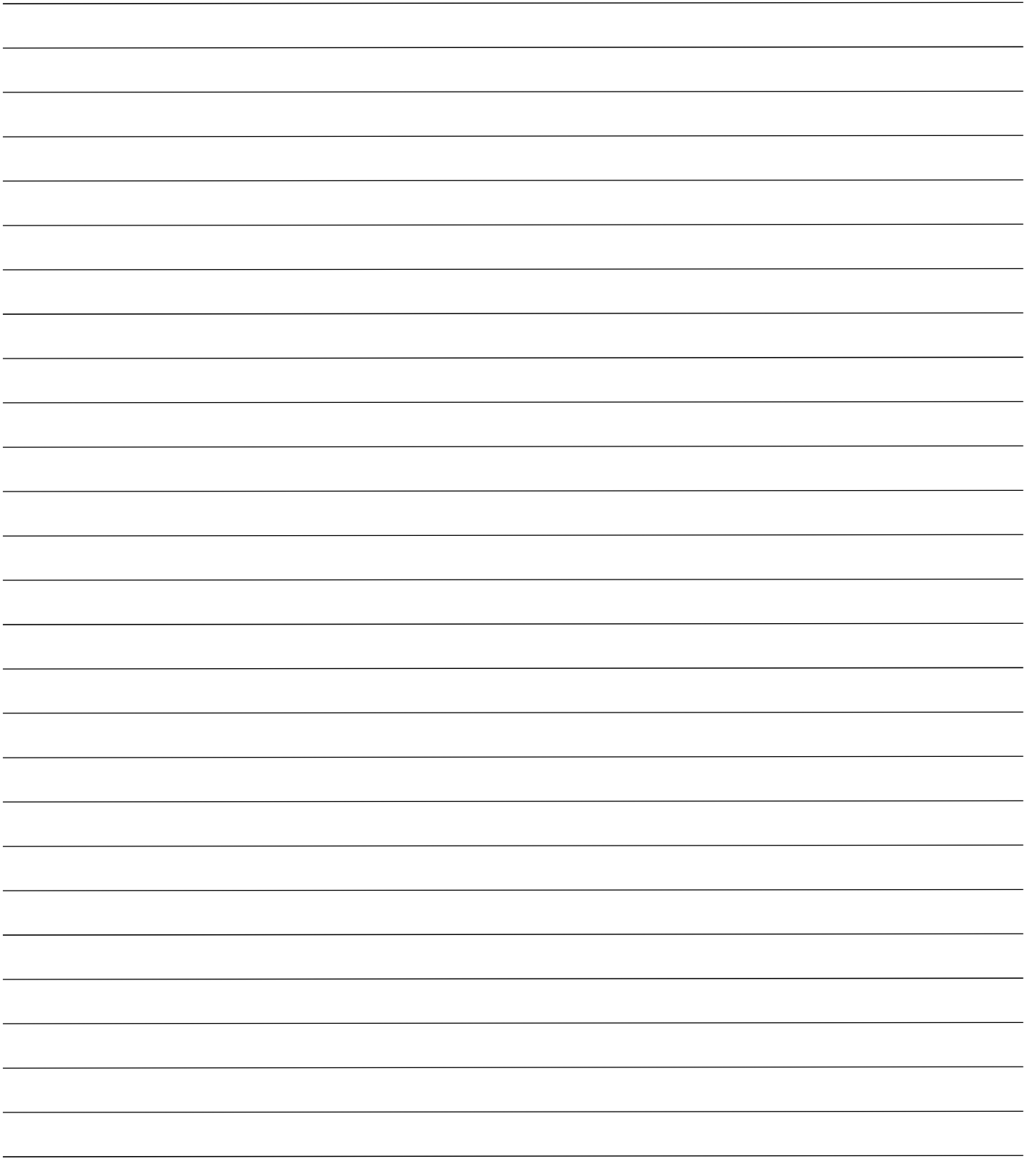














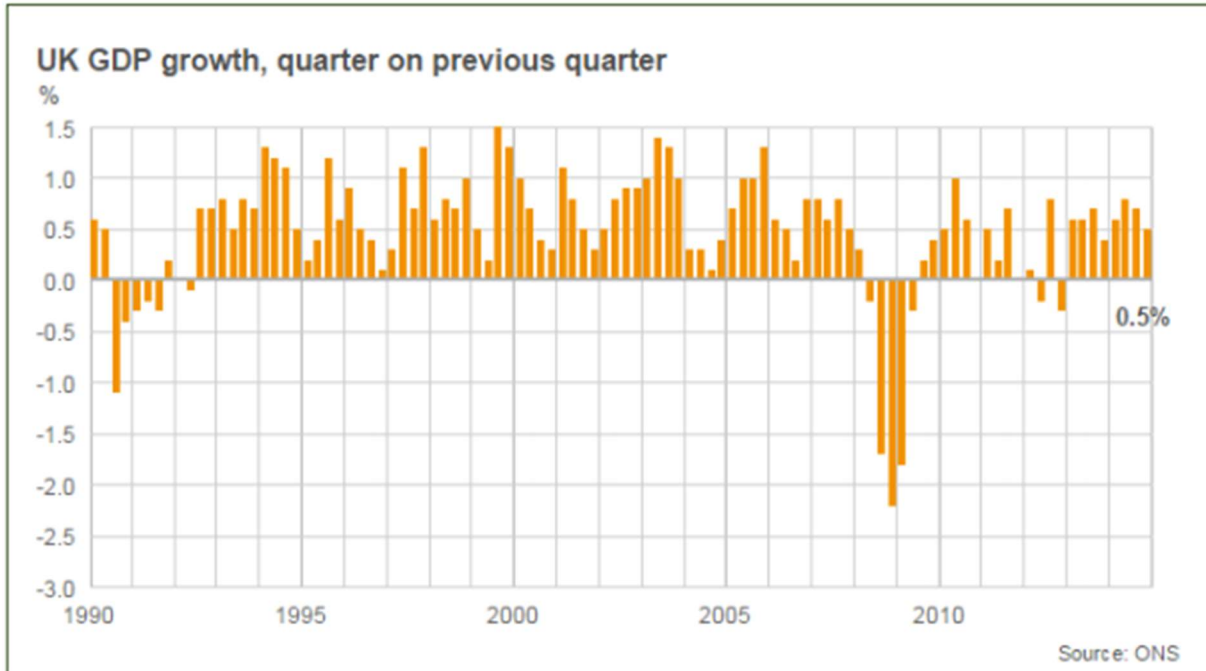




## Task 1: Macroeconomics – GDP, the economic cycle and unemployment

### 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.



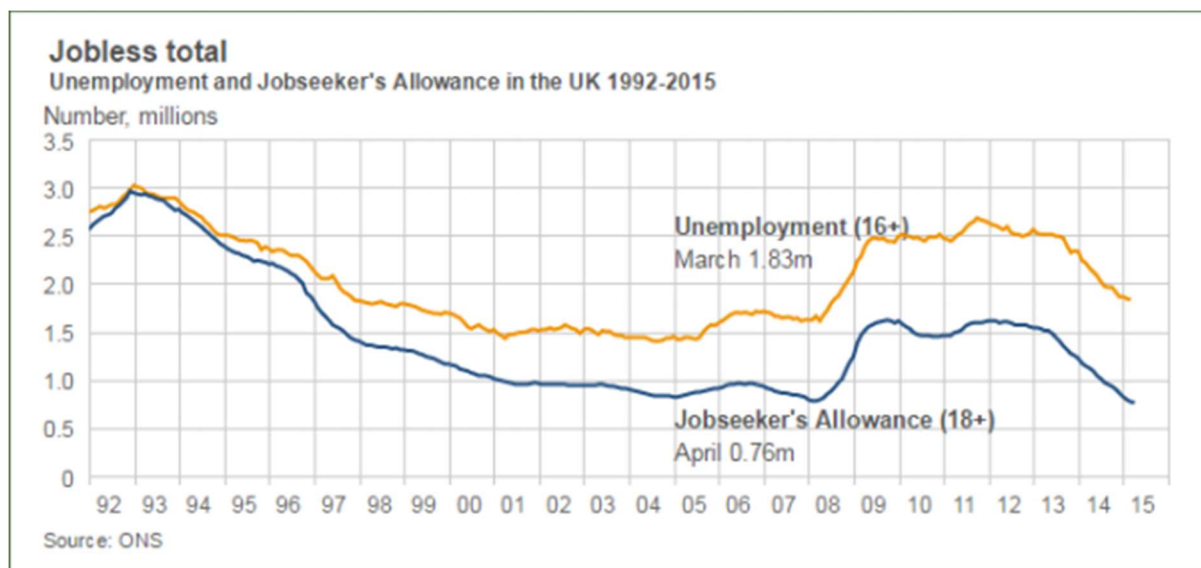
An economy is generally considered to be in recession if GDP falls (contracts) for two consecutive quarters i.e. 6 months. A recession means a fall in the level of real national output i.e. a period when growth is negative, leading to a contraction in employment, people's incomes and firm's profits.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

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 at this low level since then
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 73.3%, 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 since being elected in 2015 have pursued a policy of reducing the budget deficit through a range of spending cuts. 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.

**Questions: (You will need to use the internet for research)**

**1) What is GDP**

**2) What is business confidence?**

**3) What caused the global recession of 2008/09?**

**4) Explain three impacts of a recession on the UK economy?**

**5) What can the UK government do to help an economy recover from an economic downturn (recession)?**

**6) What is a budget deficit?**

**7) Do you agree with the Conservative's approach of reducing the budget deficit or Labour's approach of spending to stimulate the economy? Justify your opinion.**

## 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**

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.

### **Questions:**

**1) What reasons do the government have for introducing minimum alcohol pricing?**

**2) In what ways might a minimum price on alcohol be considered 'unfair'?**

**3) 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?**

**4) Explain two different policies the government could use to achieve its aim of reducing alcohol abuse?**