

Mulberry
Academy Shoreditch



Transition to Year 12

Economics

Transition to A Level Economics



Micro Teacher: Mr Singh

Macro Teacher: Mr Matsangos

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.

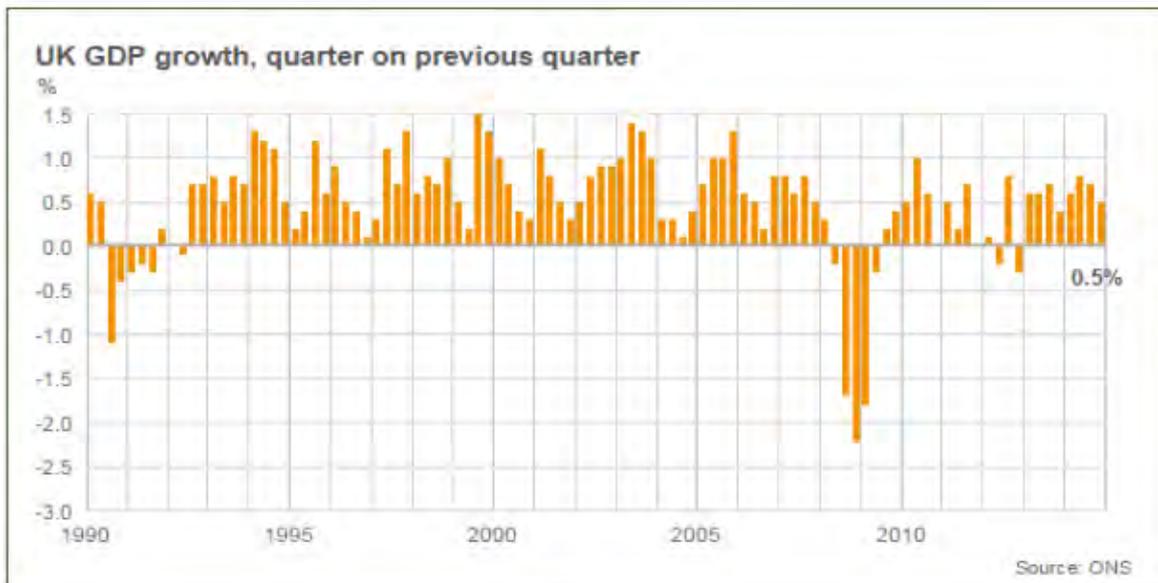
Basic course overview: You will study the Edexcel Economics 2015 course over 2 years which is assessed at the end of this time by 3 examinations. The basic overview of the course content can be seen below:

<p>Theme 1: Introduction to markets and market failure</p>	<p>Theme 2: The UK economy – performance and policies</p>
<p>This theme focuses on microeconomic concepts. Students will develop an understanding of:</p> <ul style="list-style-type: none"> • nature of economics • how markets work • market failure • government intervention. 	<p>This theme focuses on macroeconomic concepts. Students will develop an understanding of:</p> <ul style="list-style-type: none"> • measures of economic performance • aggregate demand • aggregate supply • national income • economic growth • macroeconomic objectives and policy.
<p>Theme 3: Business behaviour and the labour market</p>	<p>Theme 4: A global perspective</p>
<p>This theme develops the microeconomic concepts introduced in Theme 1 and focuses on business economics. Students will develop an understanding of:</p> <ul style="list-style-type: none"> • business growth • business objectives • revenues, costs and profits • market structures • labour market • government intervention. 	<p>This theme develops the macroeconomic concepts introduced in Theme 2 and applies these concepts in a global context. Students will develop an understanding of:</p> <ul style="list-style-type: none"> • international economics • poverty and inequality • emerging and developing economies • the financial sector • role of the state in the macroeconomy.

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.



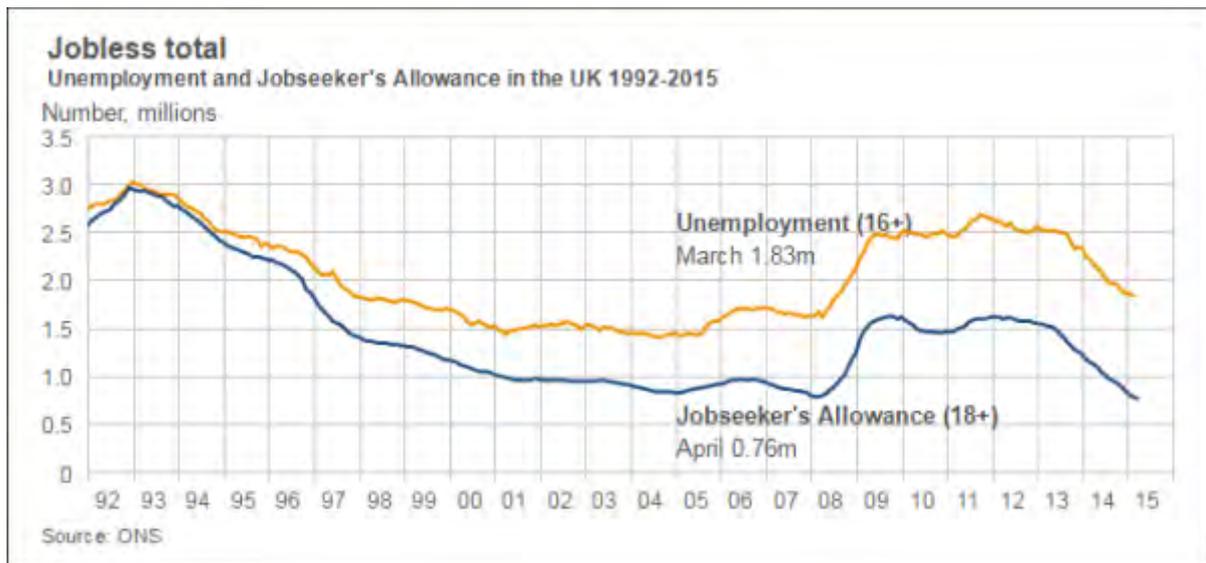
An economy is generally considered to be in recession if GDP falls (contracts) for two consecutive quarters i.e. 6 months. A recession means a fall in the level of real national output i.e. a period when growth is negative, leading to a contraction in employment, people's incomes and firm's profits.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