



## Economics Gold Star A level

# Sample course materials

## Introduction

The full A level Economics course (Sections 1-10) will prepare you for the Edexcel A level specification 9ECO exams. Sections 1 to 5 of the course will also prepare you for the AS specification 8ECO exams.

There are no formal entry requirements, but a general education up to GCSE level is advisable.

## Course plan

This plan shows the structure of the course and gives an outline of the content, as you will find it on NEC's online learning platform. Sections 1 – 5 cover the requirements of the AS and Part 1 of the A level; Sections 6 – 10 cover Part 2 of the A level. You need to do Sections 1 – 10 to prepare for the A level.

## Section 1 Introduction to economics

Introduction

Topic 1 The nature of economics

Topic 2 Production and specialisation

Topic 3 Demand

Feedback to self-checks

Section 1 pre-assignment quiz

Assignment 1

## Section 2 Supply and price

Introduction

Topic 1 Supply

Topic 2 Price determination

Topic 3 Price mechanism

Feedback to self-checks

Section 2 quiz

Assignment 2

## Section 3 Market failure and government intervention

Introduction

Topic 1 Market failure

Topic 2 Government intervention

Topic 3 Government failure

Feedback to self-checks

Section 3 quiz

Assignment 3

## Section 4 The UK economy – performance measures

Introduction

Topic 1 Measuring economic performance

Topic 2 Aggregate demand

Topic 3 Aggregate supply

Feedback to self-checks

Section 4 quiz

Assignment 4

## Section 5 The UK economy – income, growth and policies

Introduction

Topic 1 National income  
Topic 2 Economic growth  
Topic 3 Macroeconomic objectives and policies  
Feedback to self-checks  
Section 5 quiz  
Assignment 5

## Section 6 Business behaviour

Introduction  
Topic 1 Business objectives  
Topic 2 Firms and growth  
Topic 3 Revenue  
Topic 4 Costs  
Topic 5 Profit  
Feedback to self-checks  
Section 6 quiz  
Assignment 6

## Section 7 Markets

Introduction  
Topic 1 Productive and allocative efficiency  
Topic 2 Barriers and market concentration  
Topic 3 Perfect competition and monopoly  
Topic 4 Monopolistic competition and oligopoly  
Topic 5 The threat of competition  
Feedback to self-checks  
Assignment 7

## Section 8 Government intervention in markets

Introduction  
Topic 1 Labour demand and supply  
Topic 2 Influences on the labour market  
Topic 3 Government intervention  
Feedback to self-checks

Section 8 quiz

Assignment 8

## Section 9 International economics

Introduction

Topic 1 Globalisation

Topic 2 Why trade?

Topic 3 Balance of payments and the exchange rate

Topic 4 International competitiveness

Topic 5 Inequality and poverty

Feedback to self-checks

Section 9 quiz

Assignment 9

## Section 10 Macroeconomic strategies and policies

Introduction

Topic 1 International growth and development

Topic 2 Strategies to promote growth and development

Topic 3 The financial sector

Topic 4 The role of the state in the macroeconomy

Topic 5 Macroeconomic policies in a global context

Feedback to self-checks

Section 10 quiz

Assignment 10

Sample extract of Topic 1, Section 1 from the A level Economics course

## Topic 1

# The nature of economics

## Introduction



This topic sets the scene. You will be introduced to some key economic methods and concepts, including scarcity, choice and opportunity cost.

You will probably need two hours to complete this topic.

## Objectives

When you have completed this topic you should be able to:

- understand why economics is a social science
- distinguish between positive and normative statements
- explain the meaning of the economic problem.

## Economics as a social science

### Economic concepts and thought

In this course, you will be looking at the economic decisions made by individuals and by groups of individuals. These decisions are connected with the way people produce the goods and services we need and want, and with how they consume those goods and services. You will study how markets operate to allocate those resources and why it is that some people have access to more products than others. You will base your study on the concept that economics is the study of the allocation of limited resources

between unlimited and competing wants. (This was first described by Professor Lionel Robbins in 1932.)

## Activity 1

(Allow 10 minutes)

Here are some examples of decisions. Think about what you would decide in each case and note either 'Yes' or 'No' in the box alongside. You might like to discuss some of the issues with friends or family and see if they agree with you.

	Yes	No
Should healthcare funding be increased?	<input type="checkbox"/>	<input type="checkbox"/>
Should secondary school class sizes be reduced?	<input type="checkbox"/>	<input type="checkbox"/>
Should there be more police?	<input type="checkbox"/>	<input type="checkbox"/>
Should there be more cycle lanes?	<input type="checkbox"/>	<input type="checkbox"/>
Should workers have longer holidays?	<input type="checkbox"/>	<input type="checkbox"/>
Should there be more assistance for the homeless?	<input type="checkbox"/>	<input type="checkbox"/>
Should more 16 year olds be encouraged to continue in education?	<input type="checkbox"/>	<input type="checkbox"/>

You probably answered 'Yes' to most of these questions. However, in practice a country may not have enough resources in the form of workers, buildings and machines to provide all the items.

On an individual basis you also have limited resources. For example, you have a limited resource of time. There are only 24 hours in a day and so you have to decide how many hours to devote to working, eating, entertainment and sleeping. As your wants exceed your resources, choices have to be made. Economists are interested in how these choices are made and how resources can be used more efficiently.



Go to the tutor2u website and use the following link to read notes on 'What is economics?':

<http://tutor2u.net/economics/reference/what-is-economics>

## Economic models and assumptions

Economists seek to find out what factors determine the number of goods and services we produce and consume and what prices these are bought and sold for. They try to discover what causes inflation and unemployment and suggest ways of dealing with these problems. Factors that change are known as 'variables' and they try to establish relationships between variables and to assess their nature and strength. For example, they want to know what consumers do when the price of a product rises. Do they buy more, less or the same? If they buy less, how much less? Throughout this course you will need to be aware of the relationships between variables.

### Exam hint

You will score well in an examination answer if you can describe, explain, discuss and analyse the relationships between variables.

The world is very complex and changes in economic factors are the result of a large number of individual decisions. For example, the price of oil on world markets is the result of many millions of individuals' buying and selling decisions. So in order to explore economic relationships, economists create models of how they believe the world works. These models are necessarily a simplification of the real world but they are useful in coming to conclusions. They then test their conclusions by observing what happens in the real world. By doing this they are using the scientific method, which helps to validate economics as a science.

In order to simplify a situation, economists make assumptions. This means that they suppose something which may or may not be true. In studying people's spending patterns, economists assume that they behave rationally, always weighing up each piece of expenditure carefully before making it. This does not always happen and so the assumption may not be correct.

**Study hint**

When you read or hear an economic statement, ask yourself if the statement is true. Or is it based on any assumptions which may be false? What else has to be true for this statement to be true?

A word of warning! Economic research may come up with two sets of figures that seem to fit each other, and from this we might assume that one of the sets is caused by the other. Suppose that UK weather statistics show that temperatures over the course of a particular summer were higher than usual, and that UK sales figures for ice creams show a higher than usual demand during that same period. It would be intuitively reasonable to suppose that people are eating more ice cream because of the warm weather and that one factor has caused the other. But the causal relationship is not proven and there could be other factors that explain the higher ice cream sales – a strong marketing campaign by ice cream producers.

**Study hint**

If two sets of data consistently move in the same way against each other, whether in the same or in opposite directions, we can say that there seems to be a correlation between them. But this does not necessarily mean that the change in the one has caused the change in the other. Correlation does not necessarily mean causation.

So if you read that a change in one variable has caused a change in another, you should question this and think whether there could have been some other reason for the change.

An important tool in economic models is the use of marginal analysis. A marginal item is an additional one. Suppose that a worker produces 10 units of a product in an hour and then, having discovered a more efficient method of production, is able to produce 11 units an hour. The extra unit produced is called the marginal unit of production. Marginal profit is the addition to total profit from producing one more unit – the marginal unit. Marginal analysis is useful because it allows us to measure the effects of changes.

**The *ceteris paribus* assumption**

The answers to most economic questions are the result of many different factors which all come together to produce a result. A



model which includes all the factors would be very complex and so there is a need to simplify.

Suppose we are trying to establish why the demand for petrol has increased. We could find a number of possible reasons, such as the price of petrol may have fallen, people's incomes may have risen or they may be buying more cars. If we want to establish a relationship between the demand for petrol and its price, we must ignore the other factors – incomes and the demand for cars. We construct a model in which we say 'Other things being equal, a fall in the price of petrol leads to a rise in demand for petrol.' What we really mean is that there is probably a strong relationship between the price of petrol and its demand but there are also other factors that we have not taken into account.

This practice of holding constant all factors except one in order to explain a relationship is used throughout economic theory and you will often see the phrase 'other things being equal'. You may also see '*ceteris paribus*', which is the Latin phrase meaning the same thing. You should use it yourself, in either language, in answers to questions where suitable.

#### **Exam hint**

You should become familiar with and use the terminology of economics and you will earn marks for using technical words and phrases as long as they are correct and relevant. Make sure that you spell these correctly as examiners don't like misspellings of technical terms, especially when they also appear in the question or case study.

## **Inability to carry out scientific experiments**

Economics is a social science because it seeks to gather knowledge about, to explain and to predict human behaviour in the economic sphere – in the production, distribution and consumption of goods and services. Because it is a science, it is the subject of much research. Some research is quantitative – it deals in numbers such as the number of people unemployed in a country. Some is qualitative – it deals in concepts that cannot be quantified such as people's opinions about their standard of living. In order to do this research, economists need information.

The Office for National Statistics (ONS), government departments and many other organisations collect a wealth of data on all aspects of economic life. Companies also do research into their markets and academic economists carry out research programmes into areas which interest them. This data is processed

mathematically and statistical relationships are established such as averages, indices, correlations, trends over time and probabilities. These statistics are used to explain the past and present and predict the future.

However, economic data has to be used carefully. Human behaviour is being studied but it is not possible to put people into a laboratory and watch them while they behave. They must be studied in their natural environment but this is complex. As we said above, many different factors can explain a trend and it can be difficult to separate them or isolate one of them. In addition, people do not always behave in the same way, usually because circumstances have changed – and it is not always easy to identify these circumstances. Economic theory assumes that people behave rationally and always plan to spend their money to get the most satisfaction out of it. But in practice, people make irrational decisions and some make impulse purchases.

The impossibility of carrying out controlled experiments in carefully controlled conditions means that different economists come to different conclusions. They therefore make different predictions and suggest different solutions. So you will find some economists who believe that interest rates should be reduced and others who believe that they should be increased. They cannot all be right but it is not possible to judge who won the argument until after the event and even then there is scope for disagreement.

It is important for you to bear all of this in mind when studying economic concepts and you should always qualify your conclusions. But actually economic science does teach us a lot. There are a number of generally accepted theories and relationships and these help us to build up a picture of the overall economic world. Studying this course will give you a good insight into this world.



Read the section on models and assumptions in Chapter 1 of your textbook.



## What next?

We hope this sample has helped you to decide whether this course is right for you.

If you have any further questions, please do not hesitate to contact us using the details below.

If you are ready to enrol, you have different options:

- **enrol online** – for many courses you can enrol online through our website. Just choose your course, click 'enrol now' and then checkout
- **enrol by telephone** – just call our course advice team free on 0800 389 2839 and we can take your details over the telephone
- **pay in full** – you can pay in full with a credit or debit card
- **pay in instalments** – if spreading the cost would be useful, we can arrange that for you. Just call our course advice team to organise this.

## Contact us

There are many ways to get in touch if you have any more questions.

**Freephone:** 0800 389 2839

**Email us:** [info@nec.ac.uk](mailto:info@nec.ac.uk)

**Website:** [www.nec.ac.uk](http://www.nec.ac.uk)

You can also find us [Facebook](#), [Twitter](#) and [LinkedIn](#)