

Edexcel 9EB0 A level Economics B
Year 12 Handbook and Summer Tasks

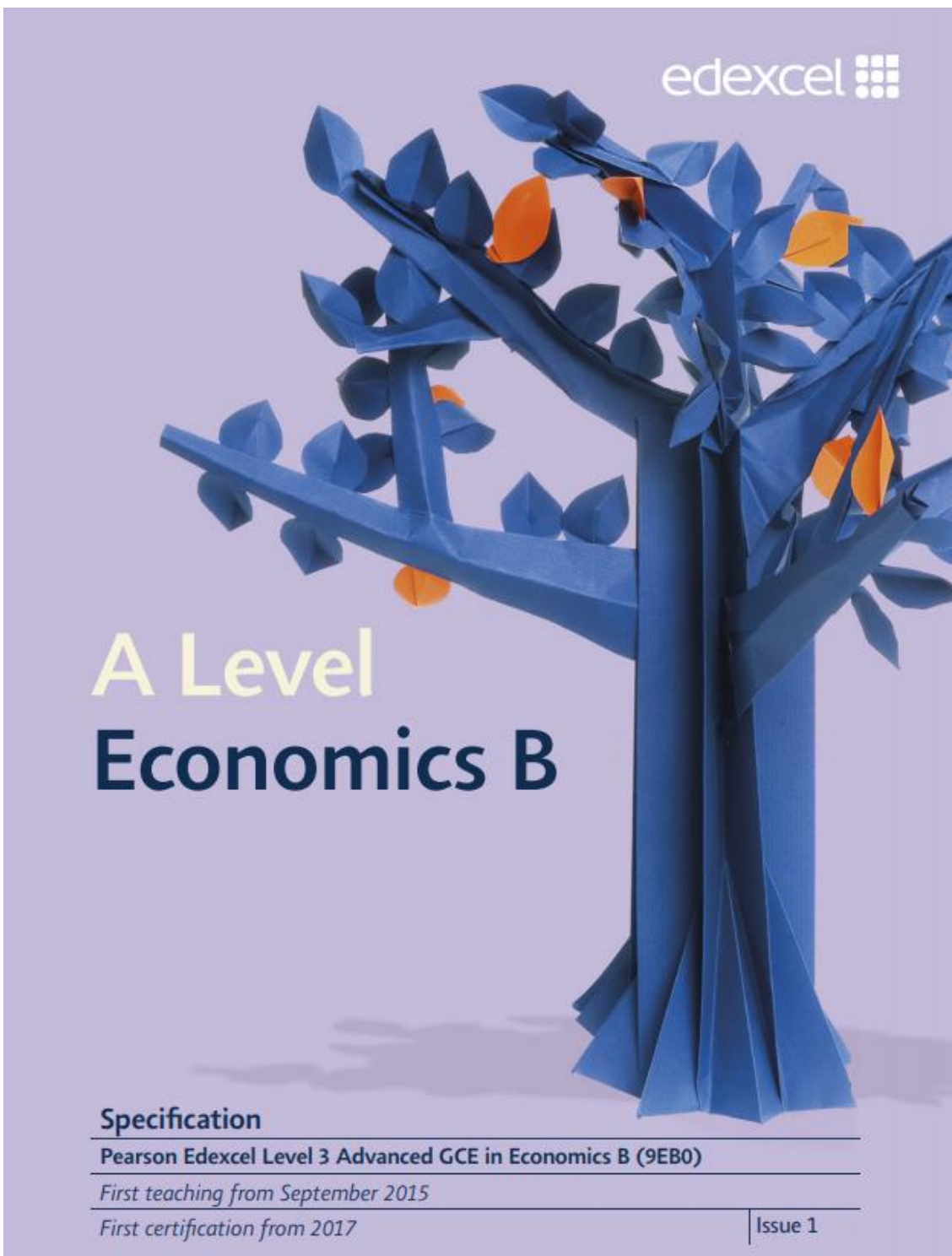
Instructions:

This booklet contains clear information about starting this A level. Please read it carefully before starting in September.

Complete all the tasks set in this booklet before beginning your A-Level Economics course in September.

Before joining the course officially, this book must be totally complete and handed in on your first day.

Failure to complete this booklet will result in your being sent away from your first Economics lesson.



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Course breakdown and exam overview

Year 1	Year 2
<p>In the first year you will cover two learning areas.</p> <p>Theme 1: Marketing and People</p> <ul style="list-style-type: none"> • Meeting customer needs • The market • Marketing mix and strategy • Managing people • Entrepreneurs and leaders <p>Theme 2: Managing Business Activities</p> <ul style="list-style-type: none"> • Raising finance • Financial planning • Managing finance • Resource management • External influences <p>There is a significant emphasis on using quantitative mathematical methods to analyse data in order to suggest strategies for business scenarios.</p>	<p>In the second year you will build on that solid knowledge-base with another two themes</p> <p>Theme 3: Business Decisions and Strategy</p> <ul style="list-style-type: none"> • Business decisions and strategy • Business growth • Decision-making techniques • Influences on business decisions • Assess no competitiveness • Managing change <p>Theme 4: Global Business</p> <ul style="list-style-type: none"> • Globalisation • Global markets and business • Expansion • Global marketing • Global industries and companies (multinational corporations)
<p>Assessment</p> <p>There are 3 exams sat at the end of the A level course. All 3 exams are 2 hours long. Paper 1 will examine content from theme 1 and 4. Paper 2 will examine content from theme 2 and 3. Paper 3 will examine content synoptically across all 4 themes and will be based on a pre-release case study research task. The research task is released in the December before the summer exams. Paper 1 and 2 each attribute 35% of the final mark, whilst paper 3 makes up the final 30%.</p>	

Theme 1 PLC

Edexcel A Level Economics (9EB0)		RAG Rating
Theme 1: Markets, consumers and firms		
1.1 Scarcity, choice and potential conflicts		
1.1.1 The economic problem	a) The problem of scarcity (where there are unlimited wants and finite resources)	
	b) Choices and potential trade-offs	
	c) The importance of opportunity costs to consumers, producers and government	
1.1.2 Business objectives	a) Different business objectives and reasons for them: o profit maximisation o sales maximisation o satisficing	
	b) Other objectives: o survival o market share o cost efficiency o return on investment o employee welfare o customer satisfaction o social objectives	
1.1.3 Stakeholders (economic agents) and their objectives	a) Stakeholders (economic agents)	
	b) Stakeholder objectives	
	c) Stakeholder conflicts	
	d) Corporate social responsibility	
1.2 Enterprise, business and the economy		
1.2.1 Role of an entrepreneur in the economy	a) Creative destruction (organising factors of production to create and set up an enterprise)	
	b) Making decisions to operate, expand and develop a business	
	c) Selling the output for more than the cost of the inputs (adding value)	

1.2.2 Entrepreneurial motives	a) Profit as an incentive	
	b) Non-financial motives: ethical stance, social entrepreneurship, independence, home working	
1.2.3 Factors of production	a) Enterprise	
	b) Capital, land and labour: o premises o equipment o raw materials o managers and employees	
1.2.4 Specialisation	a) Division of labour: advantages and disadvantages to employers and employees	
	b) Specialisation: advantages and disadvantages to the firm	
1.2.5 The wider economic environment	a) Implications for firms of changes in: o interest rates o exchange rates o taxation o unemployment o inflation	
1.3 Introducing the market		
1.3.1 Demand	a) Consumer objectives and decision	
	b) The demand curve	
	c) The distinction between movements along a demand curve and shifts of a demand curve	
	d) The factors that may cause a shift in the demand curve: o changes in the prices of substitutes and complementary goods o changes in real incomes o changes in tastes and fashions o advertising and branding o changes in size and age distribution of the population	
1.3.2 Supply	a) Producer objectives and decisions	
	b) The supply curve	
	c) The distinction between movements along a supply curve and shifts of a supply curve	

	<ul style="list-style-type: none"> d) The factors that may cause a shift in the supply curve: <ul style="list-style-type: none"> o changes in the costs of production o the introduction of new technology o indirect taxes o subsidies o changes in the number of firms in an industry o external shocks 	
1.3.3 Price determination	a) Equilibrium price and quantity and how they are determined	
	b) The use of supply and demand diagrams to depict excess supply and excess demand	
	c) The operation of market forces to eliminate excess demand and excess supply	
	d) The use of the supply and demand model to show how shifts in demand and supply curves cause the equilibrium price and quantity to change in real-world situations	
	e) The limitations of the supply and demand model and its predictions	
1.3.4 Price mechanism	a) Functions of the price mechanism to allocate resources: rationing, incentives, signalling	
	b) How firms respond to a change in demand	
	c) The price mechanism in the context of different types of markets: <ul style="list-style-type: none"> o mass markets o niche markets 	
	d) Potential market growth	
1.3.5 Understanding the consumer	a) Primary and secondary market research data (quantitative and qualitative) used to quantify likely demand and gain insight into consumer behaviour	
	b) Limitations of market research, sample size and bias	
	c) Categorising consumers: market segmentation	
1.3.6 The competition	a) Market positioning: market mapping and market maps	
	b) Competitive advantage of a product or service	
	c) Product differentiation	
	d) Adding value to products/services	
	e) How firms decide on price and level of output	
	f) Nature and range of markets: stable and dynamic markets	
1.4 The role of credit in the economy		
1.4.1 Role of banks in the economy	a) Channelling savings towards investment	
	b) Role of banks in providing credit	
	c) Interest rates and collateral	

1.4.2 Risk and liability	a) The meaning of risk	
	b) Implications of limited and unlimited liability	
1.4.3 Types and sources of credit and the impact of credit within the economy	a) Types of credit: o loans o overdrafts o trade credit	
	b) Sources of credit: o banks o other firms	
	c) Other types of finance: o venture capital o share capital o leasing	
	d) Other sources of finance: o owner's capital: personal savings o retained profit o sale of assets o individual investors o online collaborative funding	
	e) Challenges in obtaining credit: o role and impact of credit on the economy	
1.5 Market failure and government intervention		
1.5.1 Market failure and externalities	a) Private costs, external costs and social costs	
	b) Private benefits, external benefits and social benefits	
	c) Costs and benefits from the production and consumption of goods and services	
	d) Strength of the market economy: markets work well when the private and social benefits exceed (or are equal to) the private and social costs	
	e) Weaknesses of the market economy: some markets fail because of the existence of external costs, leading to under/over production or consumption	
1.5.2 Government intervention and failure	a) Purpose of intervention with reference to market failure in various contexts	
	b) Methods of government intervention: o regulation o legislation o indirect taxation o grants and subsidies o voluntary agreements	

	<ul style="list-style-type: none"> c) Causes of government failure: <ul style="list-style-type: none"> o distortion of price signals o unintended consequences o excessive administrative costs o information gaps 	
	d) Government failure in various markets	
1.6 Revenue, costs, profits and cash		
1.6.1 Revenue and costs	a) Calculation of sales volume and sales revenue	
	b) Calculation of average, fixed, variable and total costs	
	c) Calculation of percentage change	
1.6.2 The relationship between revenue and costs	a) Contribution: selling price – variable cost per unit	
	b) Break-even point: total fixed costs + total variable costs = total sales revenue	
	c) Using contribution to calculate the break-even point	
	d) Margin of safety	
	e) Limitations of break-even analysis	
1.6.3 Profit and loss	a) Profit as an incentive in a competitive market: market entry and exit	
	b) How firms calculate: <ul style="list-style-type: none"> o gross profit o operating profit o profit for the year (net profit) 	
	c) Statement of comprehensive income (profit and loss account)	
	d) How firms measure profitability: <ul style="list-style-type: none"> o gross profit margin o operating profit margin o profit for the year (net profit) margin 	
	e) How firms increase profit	
1.6.4 Business survival and cash flow	a) Distinction between profit and cash flow	
	b) Importance of cash flow for business survival	
	c) Forecasting and interpreting cash flow	
	d) Use of a cash-flow forecast to identify credit requirements and minimise risk	

Theme 2 PLC

Edexcel A Level Economics (9EB0)		RAG Rating
Theme 2: The wider economic environment		
2.1 Business growth and competitive advantage		
2.1.1 Growth	a) Objectives of growth: o to achieve economies of scale (internal and external) o increased market power over consumers and suppliers o increased market share and brand recognition o increased profitability	
	b) Problems arising from growth: o diseconomies of scale o internal communication o potential skills shortages	
	c) The role of corporate culture	
2.1.2 Methods of growth	a) Organic and inorganic growth	
	b) Horizontal, vertical and conglomerate integration	
2.1.3 Research and development (R&D) and innovation	a) Competitive advantage through innovation	
	b) Incentive to increase market power	
	c) Product and process innovation	
	d) Role of state funding	
	e) Product life cycle and extension strategies	
2.1.4 How the digital economy affects markets and firms	a) Market information in the digital economy: o price comparison sites o viral marketing o social media	

	<ul style="list-style-type: none"> b) The supply-side: <ul style="list-style-type: none"> o micromarketing o online retailing and online distribution o recruiting and training staff with digital skills 	
	<ul style="list-style-type: none"> c) The demand-side: <ul style="list-style-type: none"> o satisfying consumers with the long tail o wider geographical markets 	
	<ul style="list-style-type: none"> d) Impact on markets and firms: <ul style="list-style-type: none"> o impact on costs, prices, profit and loss o firm creation and destruction in a new business environment 	
2.1.5 How small firms compete	<ul style="list-style-type: none"> a) Small-firm survival in competitive markets: <ul style="list-style-type: none"> o product differentiation and unique selling points (USPs) o flexibility in responding to customer needs o customer service o targeting niche markets o achieving competitive advantage through relationships with stakeholders 	
2.2 Firms, consumers and elasticities of demand		
2.2.1 Price elasticity of demand (PED)	<ul style="list-style-type: none"> a) The significance of price elasticity of demand to firms (in both niche and mass markets) in terms of implications for pricing 	
	<ul style="list-style-type: none"> b) Calculation of price elasticity of demand 	
	<ul style="list-style-type: none"> c) Interpretation of numerical values of price elasticity of demand 	
	<ul style="list-style-type: none"> d) The factors influencing price elasticity of demand 	
	<ul style="list-style-type: none"> e) The relationship between price elasticity of demand and total revenue 	
2.2.2 Competing on price	<ul style="list-style-type: none"> a) Pricing strategies: <ul style="list-style-type: none"> o cost plus (calculating mark up on unit cost) o price skimming o penetration o predatory o competitive o psychological 	
	<ul style="list-style-type: none"> b) Factors that determine the most appropriate pricing strategy for a particular situation: <ul style="list-style-type: none"> o number of USPs/amount of differentiation o price elasticity of demand o amount of competition o strength of brand o stage in the product life cycle o costs and the need to make a profit 	

	c) Changes in pricing to reflect social trends (online sales and price comparison sites)	
2.2.3 Types of non-price competition	a) The impact of marketing on the demand curve: · product differentiation · advertising and other promotional methods · distribution methods	
	b) Devising appropriate marketing approaches	
2.2.4 Income elasticity of demand (YED)	a) The significance of income elasticity of demand to firms	
	b) Calculation of income elasticity of demand	
	c) Interpretation of numerical values of income elasticity of demand	
	d) The factors influencing income elasticity of demand	
2.3 Productive efficiency		
2.3.1 Productivity	a) Productivity (output per unit of input in a given time period): o factors influencing productivity o link between productivity and competitiveness o productivity and wages o productivity and economic growth	
	b) Distinction between labour and capital intensive production	
2.3.2 Capacity utilisation	a) Full capacity and spare capacity	
	b) Capacity utilisation: o current output (divided by) maximum possible output (as a percentage)	
	c) Implications of under- and over-utilisation of capacity	
	d) Ways of improving capacity utilisation	
2.3.3 Efficiency and competitiveness using lean production	a) Quality: control, assurance, Total Quality Management (TQM)	
	b) Continuous improvement (Kaizen)	
	c) Just in time (JIT) management of stock	
	d) Competitive advantage from lean production	
2.3.4 Impact on costs and sales revenue	a) Impact on average costs	
	b) Minimising waste of resources	
	c) Competitive advantage of short product development lead times	
2.4 Life in a global economy		
2.4.1 Globalisation	a) Characteristics of globalisation: o increased investment flows o world trade rising as a proportion of world Gross Domestic Product (GDP) o increased migration	

	<ul style="list-style-type: none"> b) Indicators of growth: <ul style="list-style-type: none"> o GDP per capita o literacy o health o Human Development Index (HDI) 	
2.4.2 Developed, emerging and developing economies	a) Growth rate of the UK and BRIC (Brazil, Russia, India and China) economies since 2000	
	b) Implications of limited and unlimited liability	
	c) Characteristics of developed (mature), emerging and developing economies	
	d) Mean and median incomes	
2.4.3 International trade	a) Specialisation and international trade	
	b) Trading blocs	
	c) Trade and growth	
	d) Imports and exports: visibles and invisibles	
	e) Impact of cheap imports on standards of living	
2.4.4 Exchange rates	a) Changes in exchange rates	
	b) Impact of changing exchange rates on firms	
	c) Interpretation of exchange rate data	
	d) Interpretation of effective exchange rates	
2.5 The economic cycle		
2.5.1 The economic cycle	a) Understanding of the economic cycle	
	b) Characteristics of a boom	
	c) Characteristics of a recession	
	d) Implications for firms of fluctuations in economic activity	
2.5.2 Circular flow of income, expenditure and output	a) The circular flow of income	
	b) The impact of injections into and withdrawals from the circular flow of income	
	c) Factors influencing AD: components $C + I + G + (X-M)$	
	d) Factors influencing AS: <ul style="list-style-type: none"> o changes in the cost of inputs and resources o changes in productivity 	
2.5.3 Inflation	a) Inflation, deflation and disinflation	
	b) Interpret price indices (RPI and CPI) and the rate of inflation	
	c) Real and nominal values, constant and current prices	
	d) Causes of inflation: <ul style="list-style-type: none"> o demand pull o cost push 	
	e) The impact of inflation on firms: <ul style="list-style-type: none"> o uncertainty o loss of international competitiveness 	

	f) The impact of inflation on individuals: o loss of real income o savers and borrowers	
2.5.4 Employment and unemployment	a) Employment, underemployment and unemployment	
	b) Measures of unemployment: o the claimant count o the International Labour Organisation (ILO) measure	
	c) The causes of unemployment: o structural unemployment o occupational immobility o geographical immobility o technological unemployment o demand deficiency and cyclical unemployment	
	d) The impact of unemployment on firms and individuals	
2.6 Introduction to macroeconomic policy		
2.6.1 Possible macroeconomic objectives	a) Economic growth	
	b) Low unemployment	
	c) Low and stable rate of inflation	
	d) Balance of payments equilibrium on current account	
2.6.2 Policy instruments The nature and impact of the following on the economy, firms and economic agents:	a) Fiscal policy: o adjusting levels of government spending and taxation to affect aggregate demand	
	b) Monetary policy: o adjusting interest rates to affect aggregate demand	
	c) Supply-side policies: o taxes, benefits, education and training, grants and subsidies infrastructure	
	d) Exchange rate policy: o floating rate	
2.6.3 Potential policy conflicts and trade-offs	a) Inflation and unemployment	
	b) Economic growth and negative externalities	
	c) The issues governments face in managing the macroeconomy	
	d) How different macroeconomic perspectives influence policy decisions	
	e) The likely effects of individual policy instruments on specific problems; possible unintended consequences	

Resources / Equipment / Reading list

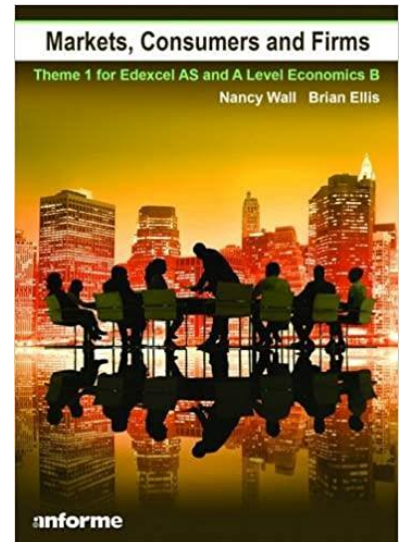
What do you expect students to have for their first / every lesson?

You should have pens, pencils, rulers, highlighters and a calculator as a minimum set of equipment to study this course.

You will need to buy the following textbooks:

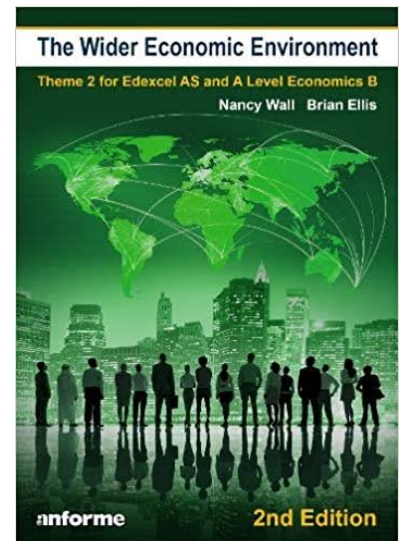
Anforme Markets, Consumers and Firms Theme 1 for Edexcel AS and A Level Economics B

ISBN: 978-1-78014-013-1



Anforme The Wider Economic Environment Theme 2 for Edexcel AS and A Level Economics B

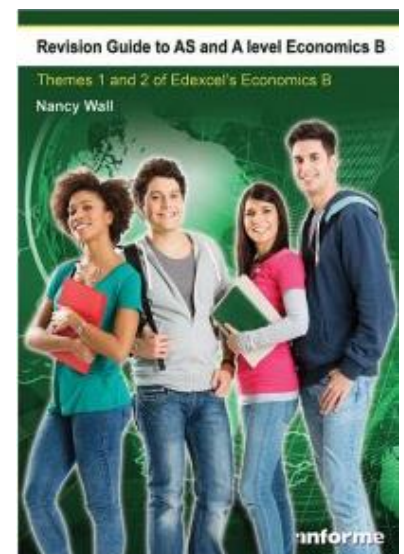
ISBN: 978-1-78014-119-0



You will find the following book useful in breaking down content into manageable chunks and to revise:

Anforme Revision Guide to AS and A level economics B Themes 1 and 2 of Edexcel Economics B

ISBN: 978-1-78014-017-9



You will find other resources linked to our course (Edexcel 9EB0) useful in helping you study towards this A-level.

Tasks

Instructions


You need to complete the tasks below. Typed would be preferred.

You MUST print off and bring your task responses along with this booklet to your first day of sixth form.


You will need this booklet, fully completed in order to attend your first Economics lesson.

Task 1

Watch the following video on Economics (<https://www.youtube.com/watch?v=sPnQilZzZtw>). You must then summarise what you learnt from the video on one side of A4.



TIME2
RESOURCES
Specialists in Business and Economics Education



Helen Coupland-Smith
and Carlo Mencattelli

Introduction to economics

Task 2:

Research and explain with examples the difference between normative and positive statements.

Explain why the use of normative value judgements can affect economic policy.

This response should be approximately half a side of A4 (size 12 font).

Task 3:

Research what index numbers are and how they work. Create an A4 sheet which explains:

1. How to calculate index numbers
2. How to interpret index numbers
3. Any flaws in using index numbers
4. What economic indicators make use of index numbers and why

This response should be approximately one side of A4 (size 12 font).

Task 4:

Britain to ban sale of all diesel and petrol cars and vans from 2040

Plans follow French commitment to take polluting vehicles off the road owing to effect of poor air quality on people's health

[Anushka Asthana and Matthew Taylor](#)

Tue 25 Jul 2017 22.38 BST Last modified on Wed 14 Feb 2018 16.35 GMT



Ministers believe poor air quality poses largest environmental risk to public health in UK. Photograph: Peter Macdiarmid/Getty Images

Britain is to ban all new petrol and diesel cars and vans from 2040 amid fears that rising levels of nitrogen oxide pose a major risk to public health.

The commitment, which [follows a similar pledge in France](#), is part of the government's much-anticipated clean air plan, which has been at the heart of a protracted high court legal battle.

The government warned that the move, which will also take in hybrid vehicles, was needed because of the unnecessary and avoidable impact that poor air quality was having on people's health. Ministers believe it poses the largest environmental risk to public health in the UK, costing up to £2.7bn in lost productivity in one recent year.

Ministers have been urged to introduce charges for vehicles to enter a series of "clean air zones" (CAZ). However, the government only wants taxes to be considered as a last resort, fearing a backlash against any move that punishes motorists.



[Read more](#)

“Poor air quality is the biggest environmental risk to public health in the UK and this government is determined to take strong action in the shortest time possible,” a government spokesman said.

“That is why we are providing councils with new funding to accelerate development of local plans, as part of an ambitious £3bn programme to clean up dirty air around our roads.”

The final plan, which was due by the end of July, comes after a draft report that environmental lawyers described as “much weaker than hoped for”.

The environment secretary, Michael Gove, will be hoping for a better reception when he publishes the final document on Wednesday following months of legal wrangling.

A briefing on parts of the plan, seen by the Guardian, repeats the heavy focus on the steps that can be taken to help councils improve air quality in specific areas where emissions have breached EU thresholds.

Measures to be urgently brought in by local authorities that have repeatedly breached EU rules include retrofitting buses and other public transport, changing road layouts and altering features such as roundabouts and speed humps.

Reprogramming traffic lights will also be included in local plans, with councils being given £255m to accelerate their efforts. Local emissions hotspots will be required to layout their plans by March 2018 and finalise them by the end of the year. A targeted scrappage scheme is also expected to be included.

Some want the countrywide initiative to follow in the footsteps of London, which is introducing a £10 toxic “T-charge” that will be levied on up to 10,000 of the oldest, most polluting vehicles every weekday.



There have been calls for vehicles to be charged for entering 'clean air zones'. Photograph: Alicia Canter/The Guardian

Sources insisted that while the idea of charges were on the table, there was no plan to force councils to introduce them, and that other measures would be exhausted first.

They hope the centrepiece of Wednesday's strategy will be the plan to ban diesel and petrol sales completely by 2040, in line with Emmanuel Macron's efforts across the Channel.

The French president took the steps to help his country meet its targets under the Paris climate accord, in an announcement that came a day after [Volvo said it would only make fully electric or hybrid cars from 2019 onwards.](#)

That decision was hailed as the beginning of the end for the internal combustion engine's dominance of motor transport after more than a century.

Prof David Bailey, an automotive industry expert at Aston University, said: "The timescale involved here is sufficiently long-term to be taken seriously. If enacted it would send a very clear signal to manufacturers and consumers of the direction of travel and may accelerate a transition to electric cars."

Britain's air quality package also includes £1bn in ultra-low emissions vehicles including investing nearly £100m in the UK's charging infrastructure and funding the "plug-in car" and "plug-in grant" schemes.

There will also be £290m for the national productivity investment fund, which will go towards the retrofitting, and money towards low-emission taxis.

The report will also include an air quality grant for councils, a green bus fund for low carbon vehicles, £1.2bn for cycling and walking and £100m to help air quality on the roads.

The strategy comes amid warnings that the UK's high level of air pollution could be [be responsible for 40,000 premature deaths a year.](#)

A judge had said the government's original plans on tackling the issue, which included five clean air zones, were [so poor as to be unlawful.](#) The government was asked to present a new draft policy to tackle air pollution from diesel traffic before the election.

It was then called to court to explain why it had made a last-minute application to delay publication of its draft policy until after the election.

James Eadie QC, representing the government, said the policy was ready to be published but it would be controversial and should therefore be withheld until after the election.

“If you publish a draft plan, it drops all the issues of controversy into the election ... like dropping a controversial bomb,” he said, adding that it could risk breaching rules about civil service neutrality and lead to the policy being labelled a Tory plan.

However, judges said the government did have to publish a draft plan with the final version needed by the end of July.



Michael Gove will publish the document on Wednesday. Photograph: Stefan Rousseau/PA

May's draft contained few concrete proposals and did not specify the cities and towns where polluting vehicles might face charges, the level of any charges or the scope or value of any scrappage scheme.

Instead, the plan put the onus for action on local authorities: “Local authorities are already responsible for improving air quality in their area, but will now be expected to develop new and creative solutions to reduce emissions as quickly as possible, while avoiding undue impact on the motorist.”

Analysis in the documents showed increasing the number of CAZs from the current six planned to 27 would make by far the greatest impact in cutting pollution and provide cost benefits of over £1bn. The CAZ policy would cut more than 1,000 times more NO₂ than a scrappage scheme, even if that scheme required old diesels to be replaced by electric cars.

But it required local authorities to exhaust all other options before introducing CAZ charging for diesel vehicles, such as removing speed bumps and retrofitting buses.

The coalition government had already set out a vision for almost every car and van to be ultra-low emission by 2050 – a move which the government acknowledged would require “almost all new cars and vans sold to be near-zero emission at the tailpipe by 2040”. So it is unclear to what extent the new pledge will further boost Britain’s ability to achieve air quality requirements.



Carmakers say fossil-fuel vehicle ban will dent industry and stall sales

ClientEarth, the campaign group that has successfully pursued the government through the courts over the UK's air pollution crisis, gave a cautious welcome to the announcement but said ministers must take immediate action to tackle the UK's air pollution crisis.

“The government has trumpeted some promising measures with its air quality plans, but we need to see the detail,” said CEO James Thornton. “A clear policy to move people towards cleaner vehicles by banning the sale of petrol and diesel cars and vans after 2040 is welcome, as is more funding for local authorities.

“However, the law says ministers must bring down illegal levels of air pollution as soon as possible, so any measures announced in this plan must be focused on doing that.”

The mayor of London, Sadiq Khan, has been calling for tougher measures to tackle air pollution, which kills 9,000 people a year in the capital.

A City Hall source was sceptical about the government's announcement. “We need to look at the full details but what Londoners suffering from the terrible health impacts of air pollution desperately need is a fully-funded diesel scrappage fund – and they need it right now.”

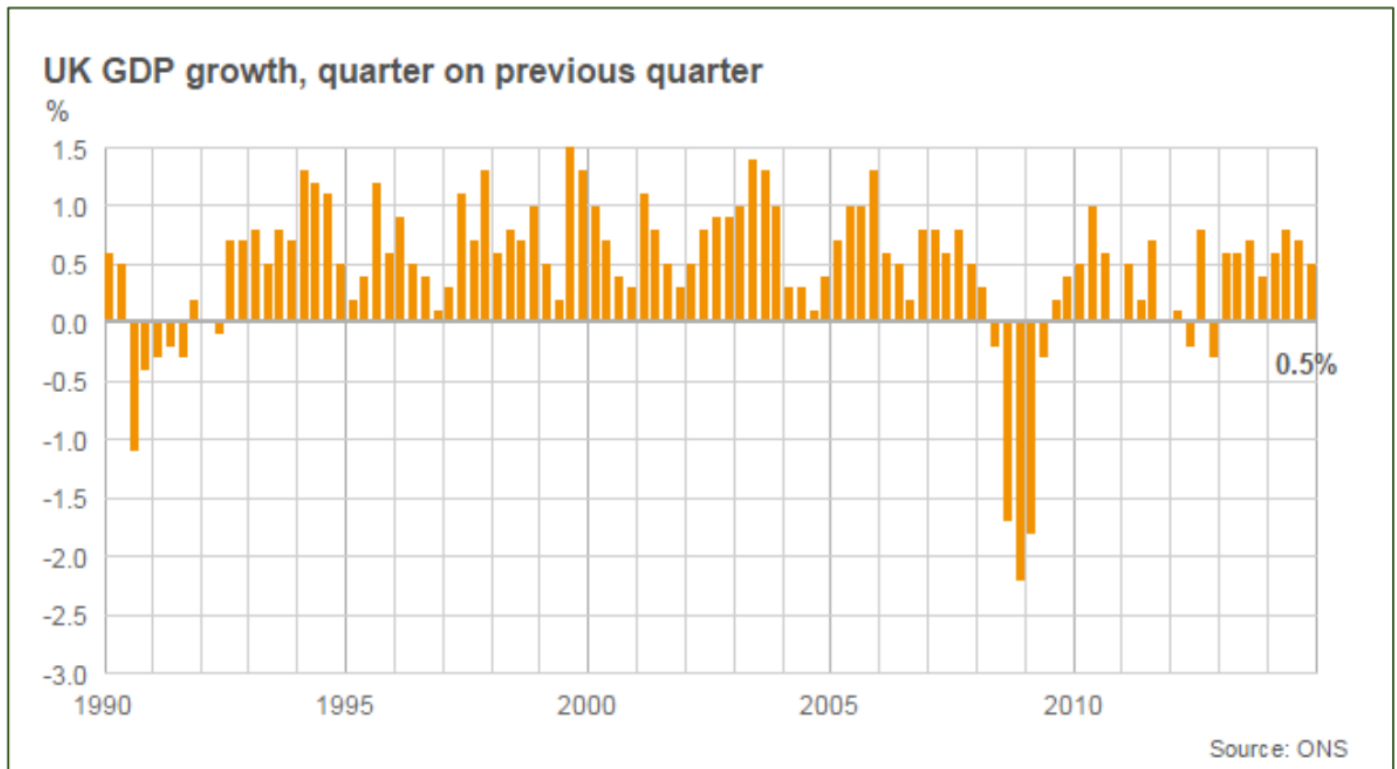
Areeba Hamid, clean air campaigner at Greenpeace, said: “The high court was clear that the government must bring down toxic air pollution in the UK in the shortest possible time. This plan is still miles away from that.

“The government cannot shy away any longer from the issue of diesel cars clogging up and polluting our cities, and must now provide real solutions, not just gimmicks. That means proper clean air zones and funding to support local authorities to tackle illegal and unsafe pollution.”

Evaluate the likely impacts of this proposed change.

I am looking for you to write an essay that explores the potential impact whilst considering how likely that impact is to be significant. **This response should be approximately two sides of A4 (size 12 font).**

Task 5: 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.

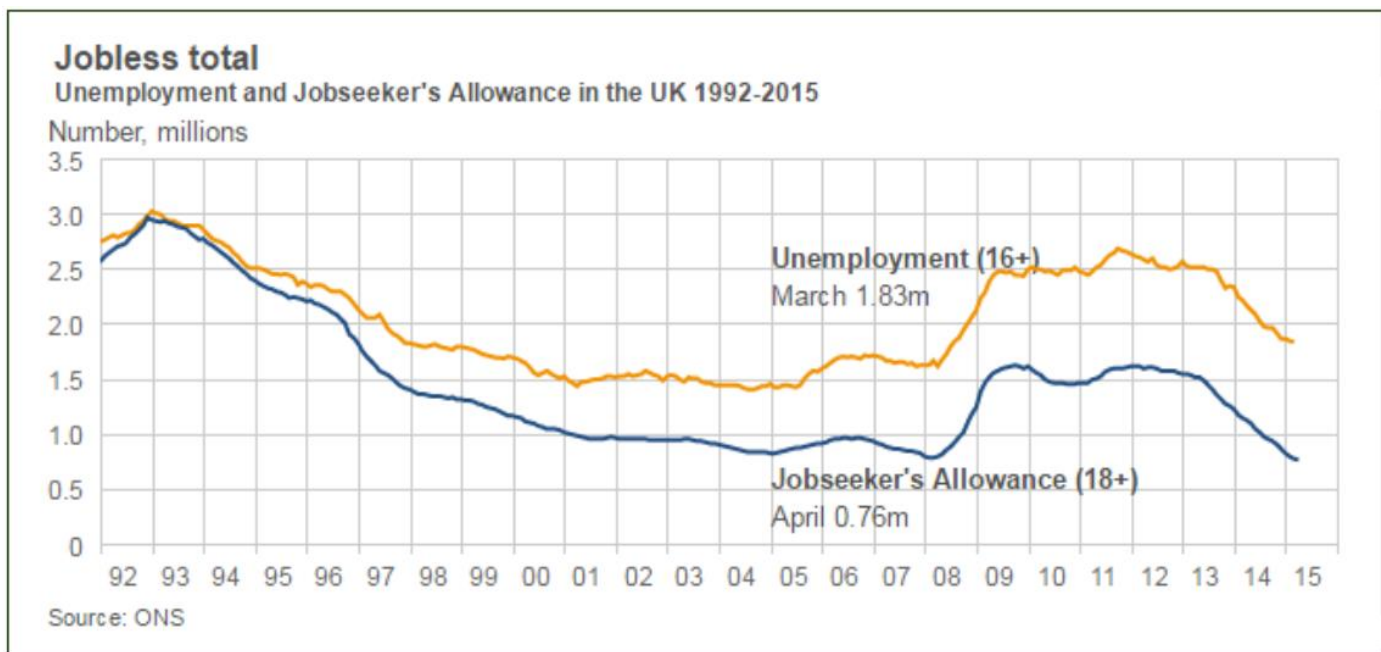
An economy is generally considered to be in recession if GDP falls (contracts) for two consecutive quarters i.e. 6 months. A recession means a fall in the level of real national output i.e. a period when growth is negative, leading to a contraction in employment, people's incomes and firm's profits.

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.

8) In light of the global Covid 19 pandemic in 2020, do you think a recession is inevitable. Argue both sides. Support your arguments with data you find. Quote sources used.

Task 6: 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?

Task 7: The demand curve

You are to research about the demand curve in economics. Use the Tutor2U website to help you.

1. Define what the demand curve is in the box below:

2. Draw the demand curve in the box below. Make sure that you label both the Y and the X axis.

3. In the grid below explain each axis within the given axis columns and then, using the demand curve column, explain the relationship between the X axis, the Y axis and the demand curve.

The X axis. What does the X axis tell us?

The Y axis. What does the Y axis tell us?

The demand curve. What does the whole of the demand curve tell us?

Reading List & Recommendations

Books, newspapers, magazines and online

Books

A couple of easy to read economics books:

- The Undercover Economist – Tim Harford - Introduces some basic economic concepts into real life scenarios.
- Freakonomics – Steven Levitt - The economics of drug dealing, sumo wrestling and estate agents, amongst other things.
- Made in Britain – Evan Davis - Very good analysis of the British economy – a look at the UK's strengths and weaknesses.

Some more challenging respected economics books which will enhance your knowledge in different areas of the course and you could talk about in a university reference. These are good to stretch yourself and give a more critical analysis of Economic study:

1. Economics: The User's Guide (Ha Joon-Chang)
2. How Markets Fail: The Logic of Economic Calamities (John Cassidy)
3. The Spirit Level: Why Equality is Better for Everyone (Richard Wilkinson & Kate Pickett)
4. Nudge: Improving Decisions About Health, Wealth and Happiness (Cass R Sunstein & Richard H Thaler)
5. Misbehaving: The Making of Behavioural Economics (Richard H Thaler)
6. 23 Things They Don't Tell You About Capitalism (Ha Joon-Chang)
7. The Big Short: Inside the Doomsday Machine (Michael Lewis)
8. Adapt: Why Success Always Starts with Failure (Tim Harford)
9. The Great Divide (Joseph Stiglitz)-

Recommended Television shows/videos to watch

A good news programme (e.g. Channel 4 news at 7pm, Newsnight on BBC2 at 10.30pm)

BBC Question Time

BBC Panorama – www.bbc.co.uk/programmes/b006t14n - The long running BBC current affairs programme, featuring interviews and investigative reports on a wide variety of subjects but often economics related. In the past there have been relevant episodes such as The Big Squeeze, How to Survive the Meltdown and The Truth about Supermarket Price Wars. These documentaries are often available for up to a year after broadcast.

Economics related documentaries (Evan Davis and Robert Peston often present topical economics documentaries on BBC & ITV)

Listen to economics related radio programmes (e.g. More or Less, presented by Tim Harford – weekly on BBC Radio 4, podcasts also available)

Films/Documentaries:

Enron: The Smartest Guys in the Room (2007) YouTube:

www.youtube.com/watch?v=_xIO731MAO4&feature=related

The Corporation (2006) YouTube: www.youtube.com/watch?v=2z-JVP6aAxs

Great documentaries that expose the darker side of corporate power, greed and fraudulent behaviour.

Useful websites

www.tutor2u.net – Tutor2u is an essential Economics resource for all students. It contains an excellent Blog with relevant news stories, exam advice and analysis of topical events. It also has various quizzes, revision notes and Power Points for free.

www.bbc.co.uk/news/business & <http://www.bbc.co.uk/news/business/economy> - Keep up to date with current events in the economic & business world through the BBC website Business & Economy news section. Very easy to read and many helpful articles to gain real examples of the theory learnt in class. Vital for success in A2.

<https://www.theguardian.com/business/economics> & <https://www.theguardian.com/uk/business> - The Guardian newspaper Business & Economics section. Slightly more in-depth look at business current events and still free to access on-line.

<http://www.independent.co.uk/topic/Economics> & www.independent.co.uk/news/business - The Independent newspaper Economics & Business section. Another great source for Economics stories and again, still free on-line.