

# Year 11-12 Economics Transition homework

## FOR EXPERIENCED GCSE ECONOMICS STUDENTS

Every student taking economics at AS-level in 2021-22 will submit a transition project. The aim is to help you to start developing the independent work skills and some of the economics specialist skills you will be using throughout A-level and beyond. It will also introduce you to some of the key topics we will cover and help you to get a head start in your learning.

Perhaps the most important aspect of the project is that it encourages you to 'be an economist' and not just an 'economics student'.

**Name:** \_\_\_\_\_

Part A	What is economics?
Part B	Applying Economics to the real world – Supply and Demand: An A level question
Part C	Investigation Globalisation, international trade and Donald Trump's trade war.
Part D	Online transition exercise from Tutor2u: <a href="https://www.tutor2u.net/economics/collections/head-start-for-a-level-economics-transition-resource-year-11-students">https://www.tutor2u.net/economics/collections/head-start-for-a-level-economics-transition-resource-year-11-students</a>

### Part A – What is economics?

Watch the video introduction to Economics:

<https://www.youtube.com/watch?v=2YULdjmg3o0>



Summarise the key points of what economics is

What is meant by free market economics?

What is positive economics? What is normative economics?

### Part B: Microeconomics

#### Supply and Demand

In Theme 1, you will learn about the key economic concepts of supply and demand. You need a good understanding of:

- What we mean by supply and demand?
- What factors impact the supply and demand of certain goods?
- What is the relationship between changing supply and demand, and the price of a product?

#### Demand

What do we mean by 'demand'?

What are the factors that can influence the demand for a good or service? Explain why they have an impact.

Supply

What do we mean by 'supply'?

What are the factors that can influence the demand for a good or service? Explain why they have an impact.

What is the relationship between demand, supply and prices?

**Applying Economics to real world case studies**

Read the extract below on the housing market and answer the questions in the spaces provided

**The Housing Market****Extract 1 Record fall in house prices**

House prices fell by 13.4% between October 2007 and September 2008, the fastest rate for more than 50 years, according to Halifax Bank, Britain's biggest mortgage lender. The average price of a house fell from £198,533 to £172,108 over the period. Rising unemployment has reduced consumer confidence and new mortgages (house purchase loans) have become difficult to obtain. Banks have become very cautious over whom they lend to after experiencing losses from bad debtors.

5

Howard Archer, economist at Global Insight, predicted that the average house price will continue to fall to around £134,000 by 2010 due to concerns over the length of the economic downturn. The recent cuts in interest rates may have little impact as housing remains unaffordable for many people.

10

(Source: adapted from: 'House prices falling at fastest rate for 50 years, says the Halifax' by Myra Butterworth, *The Telegraph*, 10th October 2008.)

**Figure 1: Average house prices and weekly earnings by selected region in England**

Region	Average house price	Average annual earnings (i)	Unemployment rate (%) (ii)
Yorks and Humber	£128 591	£22 932	6.2
North West	£137 487	£23 411	6.6
West Midlands	£162 861	£23 343	6.4
East Anglia	£169 788	£24 342	4.8
South East	£233 086	£25 990	4.5
Greater London	£269 723	£31 861	7.5
National	£172 108	£24 888	5.7

(Source: HBOS.co.uk; ONS regional earnings survey, November 2008; Labour Force Survey (June-August 2008).)

(i) Annual gross earnings per adult in employment by region – median figures, April 2008.

(ii) Unemployment rate is the percentage of a region's workforce who are unemployed.

**Extract 2 First-time buyers priced out of housing market**

The number of first-time buyers has fallen dramatically over recent years according to Halifax Bank. It estimated that just 300,000 first-time buyers entered the housing market in 2007, down from 532,000 in 2002. Difficulties remain in obtaining mortgages and larger cash deposits are often required for these buyers, exceeding 10 per cent of the property value. First-time buyers are now more likely to be in their thirties than their twenties and to buy flats rather than terraced houses.

5

However, the Royal Institution of Chartered Surveyors believes that conditions for first-time buyers should improve over the next two years. Simon Rubinsohn, chief economist, said "there is huge pent-up demand from first-time buyers and should house prices continue to drop, many will be ready to enter the market."

5

10

(Source: adapted from 'First-time buyers priced out of market' by Patrick Collinson, *The Guardian*, 22nd December 2007.)

**Extract 3 Regional house prices**

Despite falling house prices, regional differentials are expected to remain. Average house prices in Greater London are much higher than for other regions. This appears to be caused by several factors, for example, variations in regional earnings and availability of land to build on. Differences in regional unemployment may also be a factor.

The government intends to permit the building of more than 1.1 million homes in the south-east by 2016, despite strong opposition from local councils and environmental groups.

5

(Source: adapted from 'The housing crisis hits home' by Alexander Frean & Alexandra Blair, *The Times*, 21st May 2005)

- (a) With reference to Extract 1, explain **two** reasons why house prices fell by 13.4% between October 2007 and September 2008. Illustrate your answer with a supply and demand diagram.

(7)

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---



**Part C - Short questions and trade investigation**

**Q1**

The table below shows the level of unemployment in the UK economy.

<b>Year</b>	<b>Unemployment (millions)</b>
2010	13
2011	5
2012	8
2013	11
2014	18
2015	11
2016	6

Calculate the following statistics for the number of leaves affected by the holly leaf miner:

<b>Mean</b>	
<b>Median</b>	
<b>Mode</b>	

**Q2**

	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Income after tax break (£)</b>	13,000	12,000	10,000	10,100	10,400
<b>Income before tax break (£)</b>	10,000	10,000	9,000	7,000	7,300

The table shows the average income of UK residents from 2012-2016. Complete this table of results for 2013-2016



2012	2013	2014	2015	2016
$13,000 - 10,000 = 3,000$ $\frac{3.0}{10.0} \times 100\% = 30\%$				
% change in income = 30%				

**Q3**

Between 2013 and 2015, median household income in the UK increased from £24 200 to £25 700. Over the same period the demand for bus travel fell by 3%.

(a) Which **one** of the following is the most accurate explanation of the term 'median household income'?

(1)

- A** The difference between the highest level of household income and the lowest level of household income
- B** The middle household income after placing all household incomes in numerical order
- C** The most frequently occurring level of household income
- D** Total household income divided by the number of households

**Q4**

The number of individual weekly ticket sales from UK National Lottery games operated by Camelot was 73 million in the financial year 2015–2016.

The sale price of each lottery ticket was £2. This figure included 24 pence of tax revenue on each ticket sold.

(a) Calculate the weekly revenue received by Camelot after paying the tax to the government. You are advised to show your working.

(2)

---



---



---



---



---



---



---

**Q5**

The average fee charged by high-street estate agents to homeowners for selling property is 1.3% of the final sale price.

(Source: <http://www.which.co.uk/money/mortgages-and-property/home-movers/guides/selling-a-house/estate-agent-fees-and-contracts>)

(a) Assume the selling fee is 1.3%. Calculate the payment received by an estate agent on a property sold for £489 000. You are advised to show your working.

(2)

---

---

---

---

---

---

---

---

**Q6**

In August 2016 the Office for National Statistics reported that the average house price in London was £489 000, whereas in the North East of England it was £127 000.

(b) The ratio of the average house price in London to the average house price in the North East of England is:

(1)

- A 0.26
- B 3.62
- C 3.85
- D 7.40

(c) Explain **one** likely reason for the difference in average house prices between London and the North East of England.

(2)

---

---

---

---

---

---

---

---

**RESEARCH TASK: INTERNATIONAL TRADE, DONALD TRUMP, TRADE WARS & PROTECTIONISM**

**READ THE ARTICLE FROM THE BBC WEBSITE ON DONALD TRUMP'S TRADE POLICY AND THEN ANSWER THE QUESTIONS BELOW.**

**Investigation: Globalisation, trade and Donald Trump!**

**US President Donald Trump has slapped steep tariffs (taxes) on billions of dollars' worth of Chinese goods, ranging from dishwashers to aircraft tyres.**

China has long threatened to respond to such a move, and it quickly announced its own tariffs on \$35bn (£26bn) worth of US goods.

This puts the world's two largest economies at each other's throats.

But what is a trade war? How does protectionism work? And how will it all affect you

**What is a trade war?**

It's what it sounds like - a trade war is when countries try to attack each other's trade with taxes called tariffs and physical limits on imports - quotas.

One country will raise tariffs, a type of tax, causing the other to respond, in a tit-for-tat escalation.

This can hurt other nations' economies and lead to rising political tensions between them. US President Donald Trump reckons trade wars are "good" and easy. He's not afraid to raise tariffs.

**But what is a tariff?**

It's a tax on a product made abroad.

In theory, taxing items coming into the country means people are less likely to buy them as they become more expensive.

The intention is that they buy cheaper local products instead - boosting your country's economy.

### **Why is Trump doing this?**

The president has imposed 25% tariffs on \$50bn worth of Chinese goods, accusing Beijing of stealing intellectual property - which means designs and product ideas.

Mr Trump also wants to cut the trade deficit with China - a country he has accused of unfair trade practices since before he became president.

Mr Trump often made a big point about cutting the country's trade deficits.

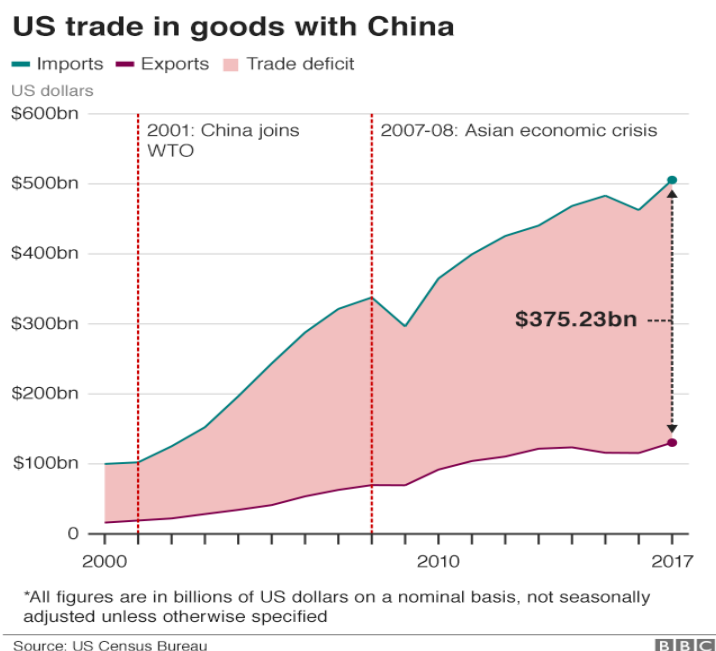
He's convinced it hurts US manufacturing, and has said time and time again on the stump and on Twitter that the US must do more to tackle them.

### **What's a trade deficit?**

It's a term meaning the difference between how much your country buys from another country, compared with how much you sell to that country.

And the US has a massive trade deficit with China.

Last year, it stood at about \$375bn. Mr Trump's not happy about that.



He wants to cut back this trade deficit, and he intends to use tariffs to do it.

But while the president hates them, trade deficits are not necessarily a bad thing.

Many wealthier countries have in recent decades shifted from manufacturing economies to service economies.

The US exported \$242.7bn worth of services in 2017, in areas like banking, travel and tourism.

Services account for 90% of the US economy. China, in contrast, doesn't export nearly as many services as it does manufactured goods.

So the president's obsession with trade deficits is not always popular, with critics damning the administration's moves as protectionism.

### What's protectionism?

Protectionism is trying to use tariffs to boost your country's industry, and shield it from foreign competition.

Take Mr Trump's steel and aluminium tariffs.

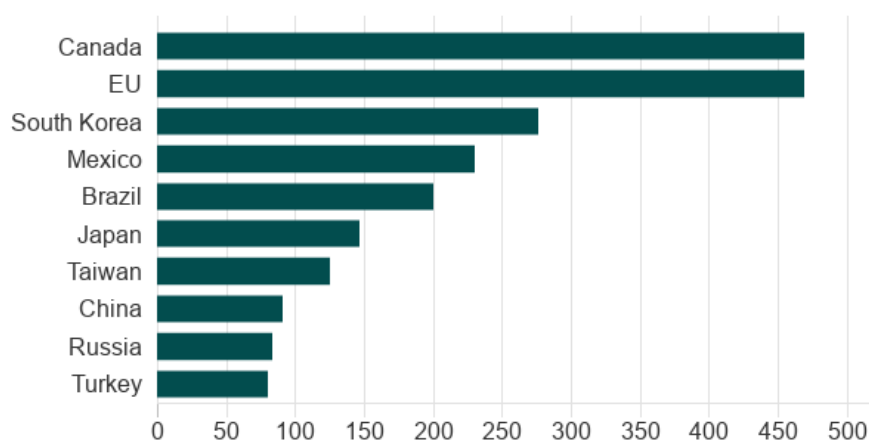
At the start of March, before his latest moves against China, the president announced a 25% tariff on all steel imports, and 10% on aluminium.

The Trump administration claims the US relies too much on other countries for its metals, and that it couldn't make enough weapons or vehicles using its own industry if a war broke out.

Critics point out the US gets most of its steel from Canada and the EU - major US allies.

### Where the US imports its steel from

Top countries/areas Jan 2018, value in \$ millions



Source: US Department of Commerce



In theory, taxing foreign steel and aluminium will mean US companies will buy local steel instead.

The thinking is that will boost the US steel and aluminium industries, as more companies will want to buy their goods.

Steel and aluminium prices will go up in the US because there will be less of these goods coming in from abroad - so the greater demand for local steel will push up the price, lifting profits for steel makers.

## **But does it work?**

Maybe...

US steel makers could get a boost - demand will drive new hires and bigger profits.

But the US companies that need raw materials, like car and aeroplane makers, will see their costs rise.

That means they might have to put up the prices on their finished products. That would hurt consumers.

So car prices could go up in the US. As could prices for gadgets, plane tickets and even beer - the price of making a can could rise.

beer cans could become more pricey - and that cost could be pushed onto

## **How could tariffs affect me?**

They could affect people around the world - especially since China has retaliated.

The world's second-largest economy has taxed US agricultural and industrial products, from soybeans, pork and cotton to aeroplanes, cars and steel pipes.

In theory, China could also tax US tech companies like Apple. That would hit the tech giant, and it could be forced to raise its prices to compensate.

A global trade war could hurt consumers around the world by making it harder for all companies to operate, forcing them to push higher prices onto their customers.

## **Is free trade better then?**

Depends who you ask.

Free trade is the opposite of protectionism - it means as few tariffs as possible, giving people the freedom to buy cheaper or better-made products from anywhere in the world.

This is great for companies trying to cut costs, and that's helped drive prices down and boost the world economy. Expansion of shipping and transfer of goods around the world

Cars, smart phones, food, flowers - free trade has brought affordable products from around the world to your home.

But at the same time, that means companies are less likely to buy local products. Why buy domestic when you can get more, cheaper, from a different country?

This means the loss of jobs in wealthier countries, and uneven growth - while free trade has made some people richer, it's made others poorer.

### **How is it all going to end?**

No idea.

Historians have pointed out that tariffs often lead to higher costs for the consumer, while economists across the board are against the plans.

The Republican Party is also overwhelmingly against Mr Trump on tariffs - they're big supporters of free trade.

Mr Trump's decision to take on China could lead to adverse effects for consumers in the US and in China, but also worldwide.

An economic showdown between the world's biggest economies doesn't look good for anyone.

Define 'international trade'

Define tariffs and quotas.

Define protectionism

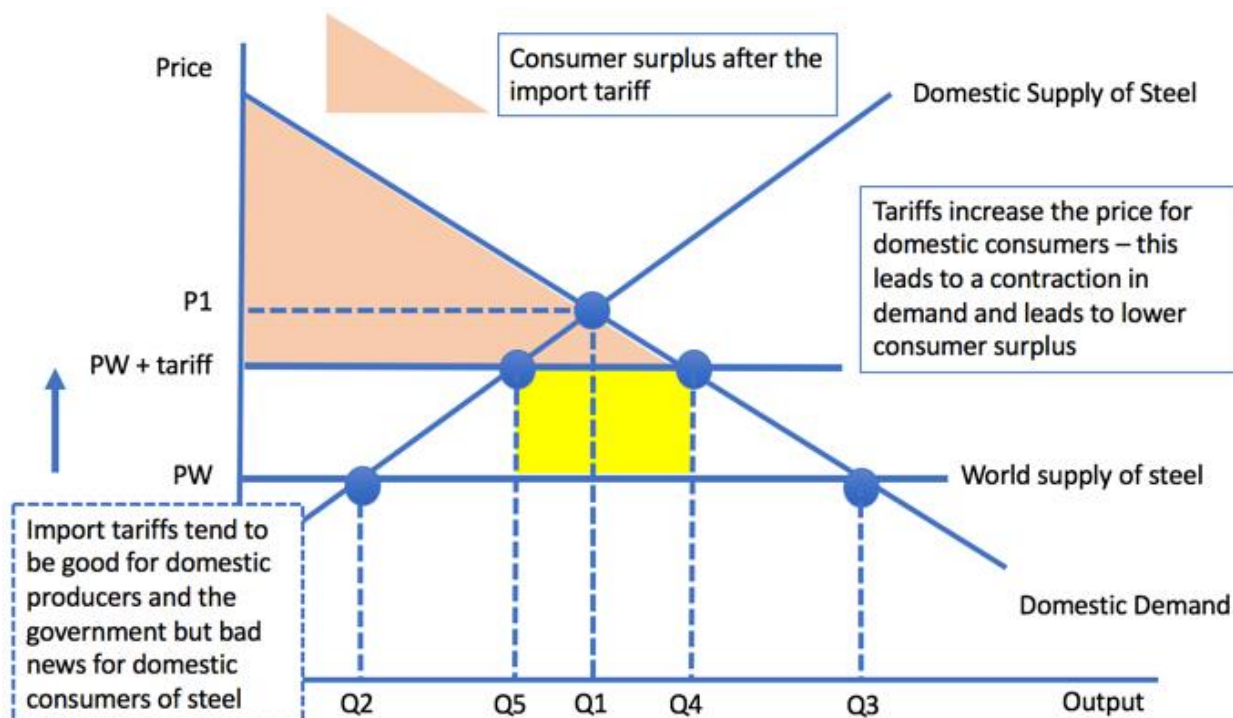


Donald trump has imposed tariffs on imports of Steel and Aluminium from China, the EU, Mexico and Canada. Can you explain his reasons?

Explain 3 groups likely to benefit from the tariffs.

Explain 3 groups likely to benefit from the tariffs.

Explain 3 groups likely to be hurt by the tariffs.



### A LEVEL DIAGRAM ANALYSIS: THE IMPACT OF A TARIFF

The diagram above is a new Supply and Demand analysis which shows you the impact of a tariff on Steel imports. Try to write an explanation of the diagram by reading it closely. In your explanation, try to answer the following questions by explaining and annotating the diagram:

- What happens to the amount of imports received once the tariff is brought in? Can you see this on the diagram?
- What happens to the price of Steel for consumers?
- What do you think the term 'consumer surplus' means – look it up! What does the tariff do to consumer surplus – reduce it or increase it?
- How much money does the Government raise in tariff revenue/ Where can you find this on the diagram?
- Is the Tariff good for the US's own domestic Steel producers – can you see the effect on the diagram?
- Overall – do you think this diagram suggests that tariffs are a good or a bad idea for the world economy as a whole – explain your answer!

**Part D: Online lessons from Tutor 2u – Head Start in Economics**

**<https://www.tutor2u.net/economics/collections/head-start-for-a-level-economics-transition-resource-year-11-students>**

Use the link above to go to the Tutor2u website and complete a series of interactive lessons which include an introduction to Macroeconomics as well as a special series on the economics of the Coronavirus. Watch all the videos listed below and complete the worksheets & quizzes, write your answers in your self-quizzing books and label each lesson.

### **Macroeconomics**

#### **Introduction to Macroeconomics [Head Start in A-Level Economics]**

Online Lessons

#### **Introduction to Globalisation [Head Start in A-Level Economics]**

Online Lessons

#### **Unemployment [Head Start in A-Level Economics]**

Online Lessons

### **Special Short Course on the Economics of the Coronavirus pandemic**

#### **Economics of the Crisis - Micro and Macro Aspects [Head Start in A-Level Economics]**

Online Lessons

#### **Economics of the Crisis - Impact on Businesses [Head Start in A-Level Economics]**

Online Lessons

#### **Economics of the Crisis - Behavioural Economics [Head Start in A-Level Economics]**

Online Lessons

#### **Economics of the Crisis - Policies to avoid a Depression [Head Start in A-Level Economics]**

Online Lessons