

Year 11-12 Economics Transition homework

FOR NEW ECONOMISTS WHO HAVE NOT STUDIED GCSE

Every student taking economics at A-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	Supply and demand
Part C	Investigation: Globalisation, international trade and Donald Trump's trade war
Part D	Online transition exercise from Tutor2u: https://www.tutor2u.net/economics/collections/head-start-for-alevel-economics-transition-resource-year-11-students

Part A – What is economics?

Watch the video introduction to Economics:

<https://www.youtube.com/watch?v=2YULdimg3o0>



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?

Supply and demand in Practice – Wine Prices

Read the news article below, highlighting factors which have influenced the demand or supply of wine.

Business > Food & drink industry

10am BST update

Wine prices set to rise 10% this year

Wine lovers have been told to brace themselves for significant price increases this year as industry experts warn of a ‘perfect storm’ of influences pushing prices up. Consumers have enjoyed relatively low increases in prices over the last decade, but this is set to end, with some industry insiders suggesting the average price of a bottle of wine may have risen to around £8.30 by 2015, compared to £6.56 today.

So what’s causing this change and is there anything we can do to stop it? Economists say its all down to ‘supply’ and ‘demand’ – how much wine producers are willing to sell their goods for, and how much we are willing to spend on them. Producers will raise their prices if supplying the goods becomes more difficult or expensive. This certainly seems to be the case when you look at the evidence – wages paid to farm labourers in the top wine producing countries have risen by 15% in the last two years, representing a large increase in costs. In addition, the drought which hit central and southern parts of France last summer devastated many of the most famous vineyards.

Others say that wine drinkers have only themselves to blame! The explosion of trendy wine bars which has accompanied the sharp fall in the number of pubs in the UK has significantly increased the demand for wine over the last few years. Another possible cause which has been suggested is that the price of beer, an alternative alcoholic drink, has become much more expensive recently, leading to people choosing to switch from one to the other.

What has influenced the demand for wine?

What has influenced the supply of wine?

Using all of the factors mentioned above, explain why wine prices have risen...

Part C - Short questions and trade investigation**Q1**

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

Year	Unemployment (millions)
2010	13
2011	5
2012	8
2013	11
2104	18
2015	11
2016	6

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

Mean	
Median	
Mode	

Q2

	2012	2013	2014	2015	2016
Income after tax break (£)	13,000	12,000	10,000	10,100	10,400
Income before tax break (£)	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.

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.

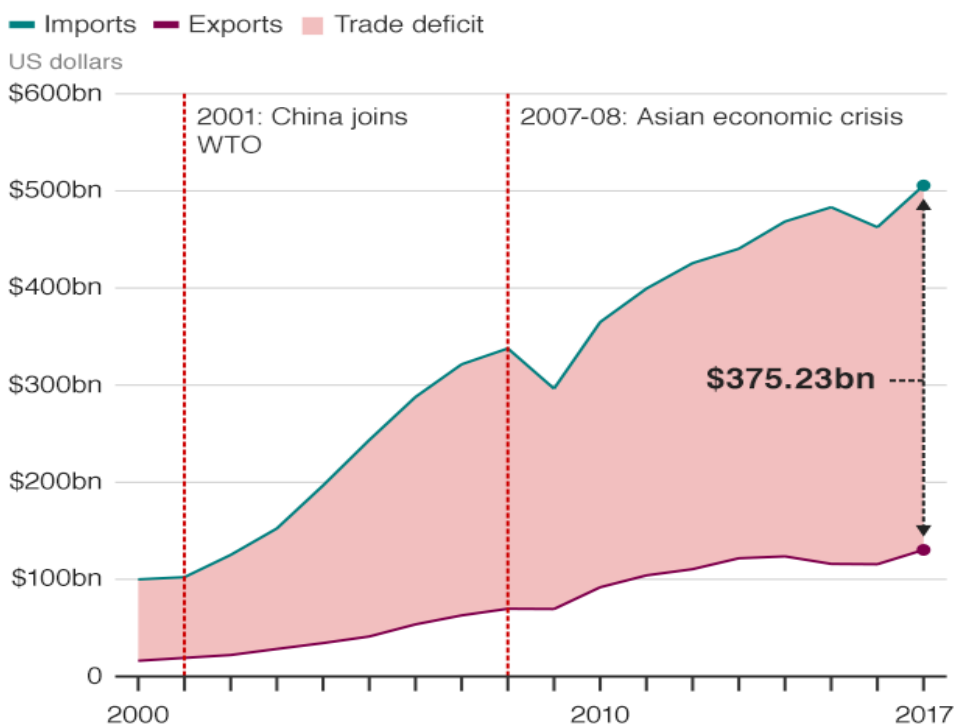
What's a trade deficit?

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.

US trade in goods with China



*All figures are in billions of US dollars on a nominal basis, not seasonally adjusted unless otherwise specified

Source: US Census Bureau

BBC

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.

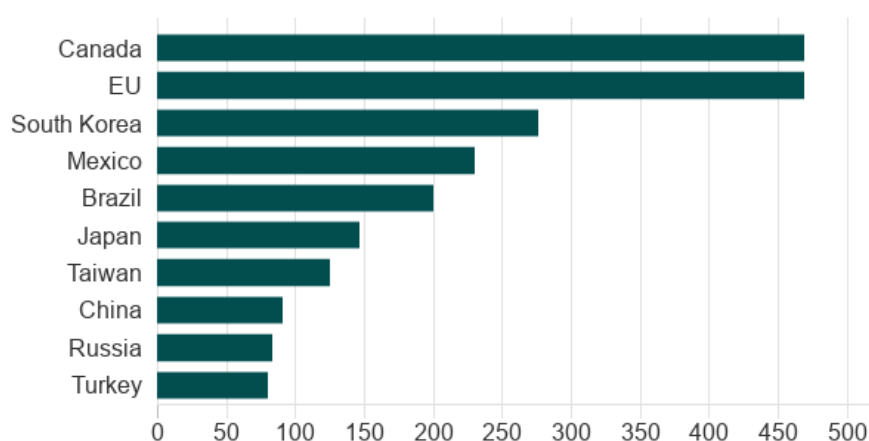
At the start of March, before his latest moves against China, the president announced a 25% tariff on all steel imports, and 10% on aluminium.

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

BBC

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 be damaged by the tariffs.

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 online 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