

A Level Economics

Taster Lesson

Demand and Supply

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Head of Economics

Your at-a-glance guide to AS and A level Economics A

A Level

Theme 1

Introduction to markets and market failure

- 1.1 Nature of economics
- 1.2 How markets work
- 1.3 Market failure
- 1.4 Government intervention

Theme 2

The UK economy – performance and policies

- 2.1 Measures of economic performance
- 2.2 Aggregate demand
- 2.3 Aggregate supply
- 2.4 National income
- 2.5 Economic growth
- 2.6 Macroeconomic objectives and policy

AS

Theme 1

Introduction to markets and market failure

- 1.1 Nature of economics
- 1.2 How markets work
- 1.3 Market failure
- 1.4 Government intervention

Theme 2

The UK economy – performance and policies

- 2.1 Measures of economic performance
- 2.2 Aggregate demand
- 2.3 Aggregate supply
- 2.4 National income
- 2.5 Economic growth
- 2.6 Macroeconomic objectives and policy

The content for Theme 1 and Theme 2 is the same for the AS and A level qualifications so even though they are separate qualifications you can co-teach them.

Theme 3

Business behaviour and the labour market

- 3.1 Business growth
- 3.2 Business objectives
- 3.3 Revenues, costs and profit
- 3.4 Market structures
- 3.5 Labour market
- 3.6 Government intervention

Theme 4

A global perspective

- 4.1 International economics
- 4.2 Poverty and inequality
- 4.3 Emerging and developing economies
- 4.4 The financial sector
- 4.5 Role of the state in the macroeconomy

Paper 1

Introduction to markets and market failure

Questions drawn from Theme 1

80 marks, 1.5 hours
50% of qualification

Section A: multiple-choice and short-answer questions

Section B: one data response question broken down into a number of parts, each including one extended open response question (choice of one from two for extended open response questions)

Paper 2

The UK economy – performance and policies

Questions drawn from Theme 2

80 marks, 1.5 hours
50% of qualification

Section A: multiple-choice and short-answer questions

Section B: one data response question broken down into a number of parts, each including one extended open response question (choice of one from two for extended open response questions)

Paper 1

Markets and business behaviour

Questions drawn from Theme 1 and Theme 3

100 marks, 2 hours
35% of qualification

Section A: multiple-choice and short-answer questions

Section B: one data response question

Section C: one extended open response question (choice of one from two)

Paper 2

The national and global economy

Questions drawn from Theme 2 and Theme 4

100 marks, 2 hours
35% of qualification

Section A: multiple-choice and short-answer questions

Section B: one data response question

Section C: one extended open response question (choice of one from two)

Paper 3

Microeconomics and macroeconomics

Questions drawn from all themes

100 marks, 2 hours
30% of qualification

Two data response questions broken down into a number of parts, each including one extended open response question (choice of one from two for extended open response questions)

AS and A level: key points

- AS and A level have been 'decoupled', which means that AS marks or grades do not count towards the full A level.
- Students can still take AS exams at the end of Year 12 – but if they go on to do a full A level course, they will be assessed on the full content of that A level at the end of their study. This means that students will need to sit all three A level papers.
- A level assessments will be set at a higher level of demand than AS assessments. This means that while students will be assessed on some of the same content at A level that they were at AS, the questions they encounter will look different.

Why study Economics?

If you ever wonder:

- How are the world's scarce resources allocated, and why?
- What factors determine prices and why do they always seem to fluctuate?
- Why do governments levy taxes on some people and businesses, and give money to other people and businesses
- What is inflation, and why are so many people concerned about it rising or falling?
- Why are unemployment levels so high in some countries, and what can be done about it?
- How do world events outside the UK affect the success of businesses and the economy in the UK
- Was Britain right or wrong to vote to leave the European Union (UN)
- What are exchange rates, why are they so variable and why do they matter?
- Government debt - why does it build up, and how worried should we be about it?
- What are interest rates, and why do they seem to be so important in decisions made about money?

...then economics is the subject for you.

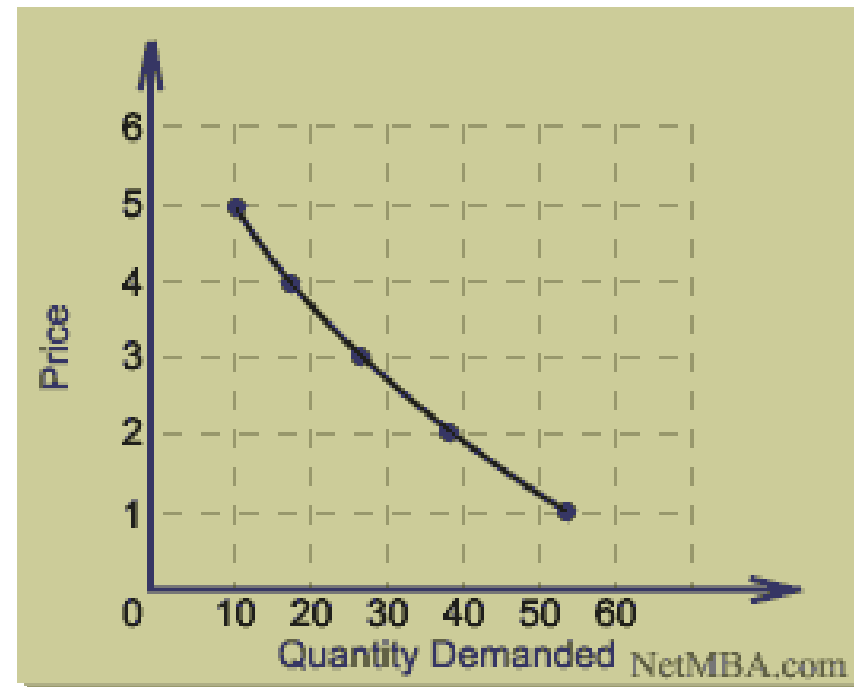
Whom does Economics suit?

- Anyone interested in knowing more about the way the world works. Students take Economics in combination with a wide array of other subjects - everything from Art, English Literature and History at one end, to Maths, Biology and Physics at the other
- A strong mathematical background is not strictly important for A level Economics; but an ability to interpret graphs and understanding correlation, percentages and ratios, and spot trends will help
- Being able to argue the merits and drawbacks of a case, to apply theory to the real world and observe the differences, and be able to make judgements and recommendations is highly important. However, these skills are needed for almost any A level subject you will choose
- The subject is particularly useful for those students wanting to study Social Science or Medical courses, as making decisions about how, and to whom resources, are allocated are highly important in these professions
- Many students choose Economics as their third or fourth choice subject, only to find that they enjoy it so much they decide to study it at university-level.

What is Demand?

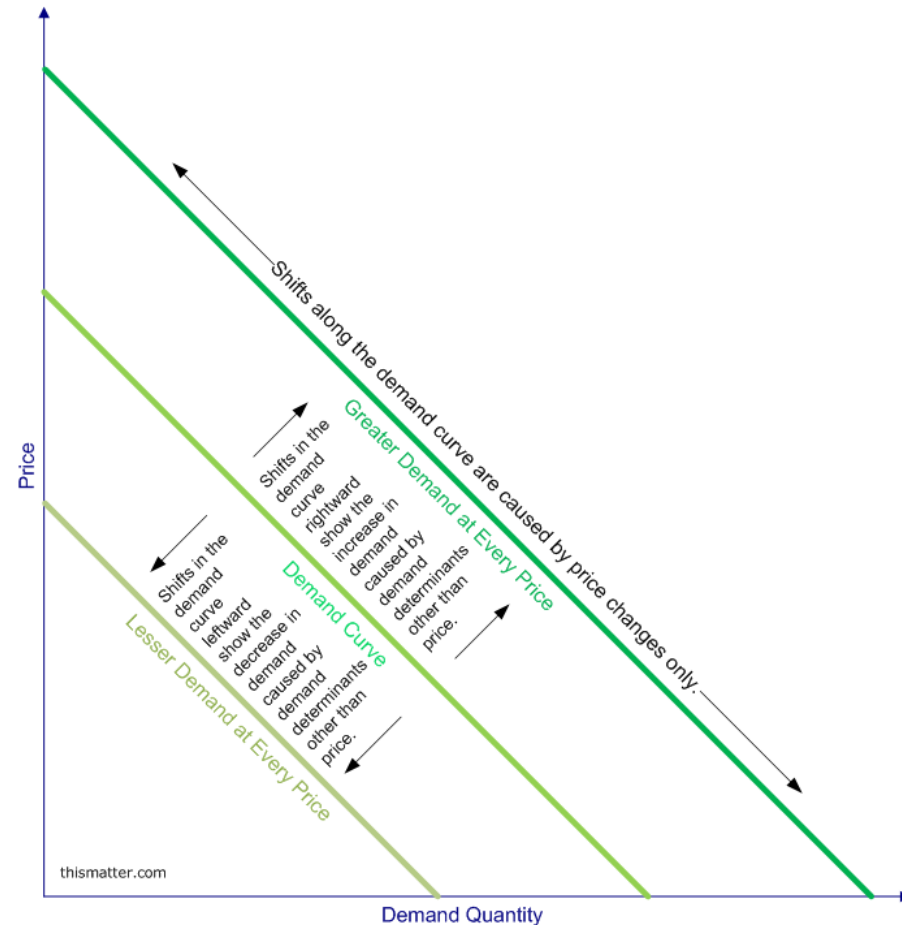
Demand for a product or service refers to the amount consumers are able and willing to buy at a given price.

- What do you notice happens to the quantity demanded when the price increases (decreases)?
- Why do you think this happens?
- What other non-price factors may also have a determining effect on demand?
- What do you think this will do to the demand curve?



What factors can cause changes in demand, other than price?

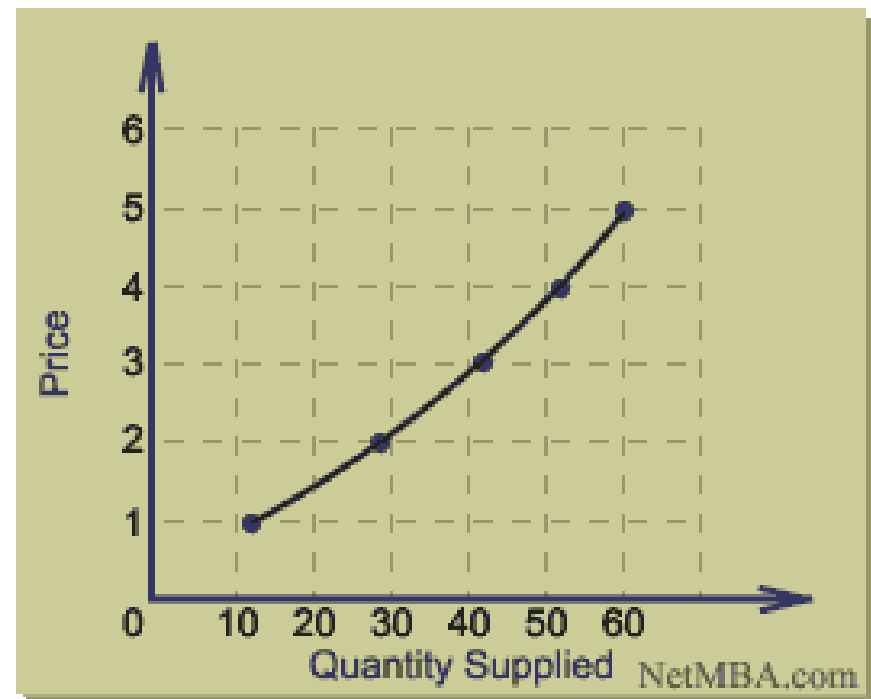
- Consumers' incomes
- Level of taxation on incomes
- Price of Complementary goods
- Price of Substitute goods
- Fashion trends and tastes
- Changes in customers' needs
- Technological progress
- Changes in population
- Advertising and promotion
- Government legislation (laws)
- Adverse publicity



What is Supply?

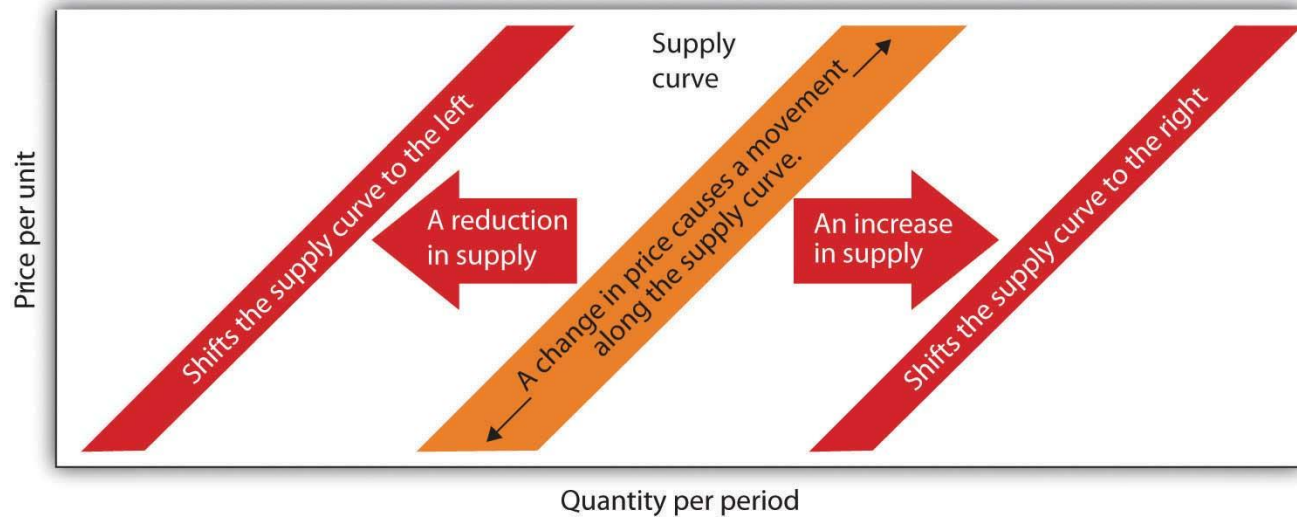
Supply for a product or service refers to the amount producers (sellers) are able and willing to produce (sell) at a given price.

- What do you notice happens to the quantity supplied when the price increases?
- Why do you think this happens?
- What other non-price factors may also have a determining effect on supply?
- What do you think this will do to the supply curve?



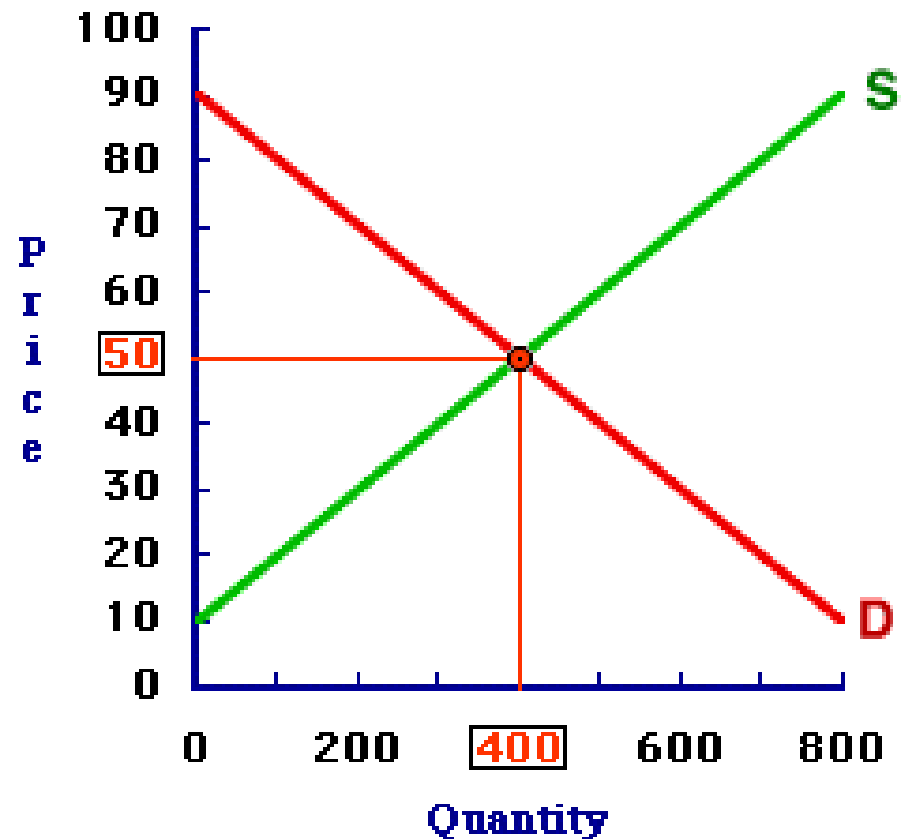
What factors can cause changes in supply, other than price?

- Profitability of other goods that could be produced instead
- Changes in production technology
- Changes in the costs of production
- Natural disasters, disease and famine
- Changes to climate and weather
- Social factors – war, civil unrest
- Level of taxation on goods (VAT and excise duties)
- Government subsidies (grants and funding)
- The number of suppliers in the market



Market Equilibrium (Balance)

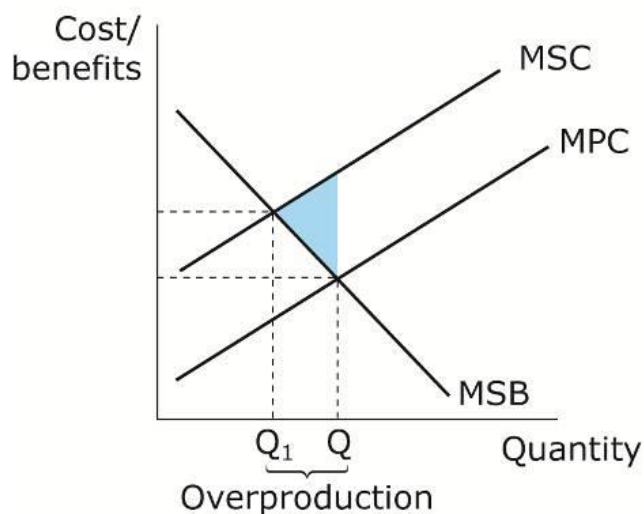
- Price refers to the amount of money that an individual has to give up to acquire a good or service
- The market price and quantity can be found where the market 'clears'. Market equilibrium occurs where demand = supply
- So what happens to the price and quantity if a non-price factor affects demand or supply?



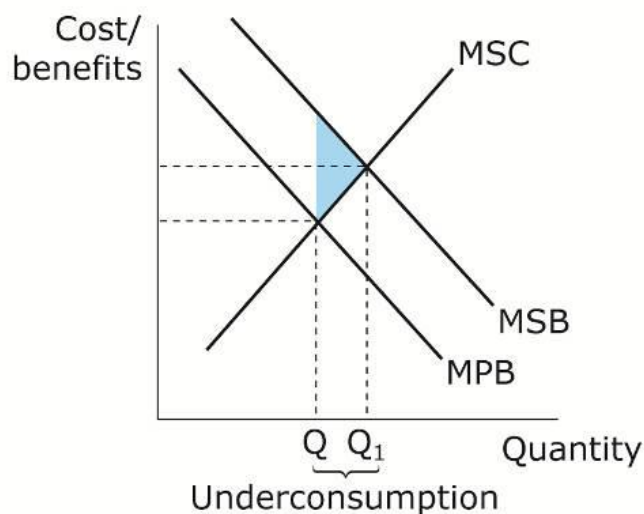
These ideas are built upon throughout the course

- Markets fail – market transactions can often result in spillover costs and benefits affecting others not involved in the transaction. This means markets may not be the most efficient or equitable methods of allocating resources.

Negative Externalities



Positive Externalities



MSB= Marginal social benefit

MSC= Marginal social cost

MPC= Marginal private cost

Q = Market equilibrium quantity

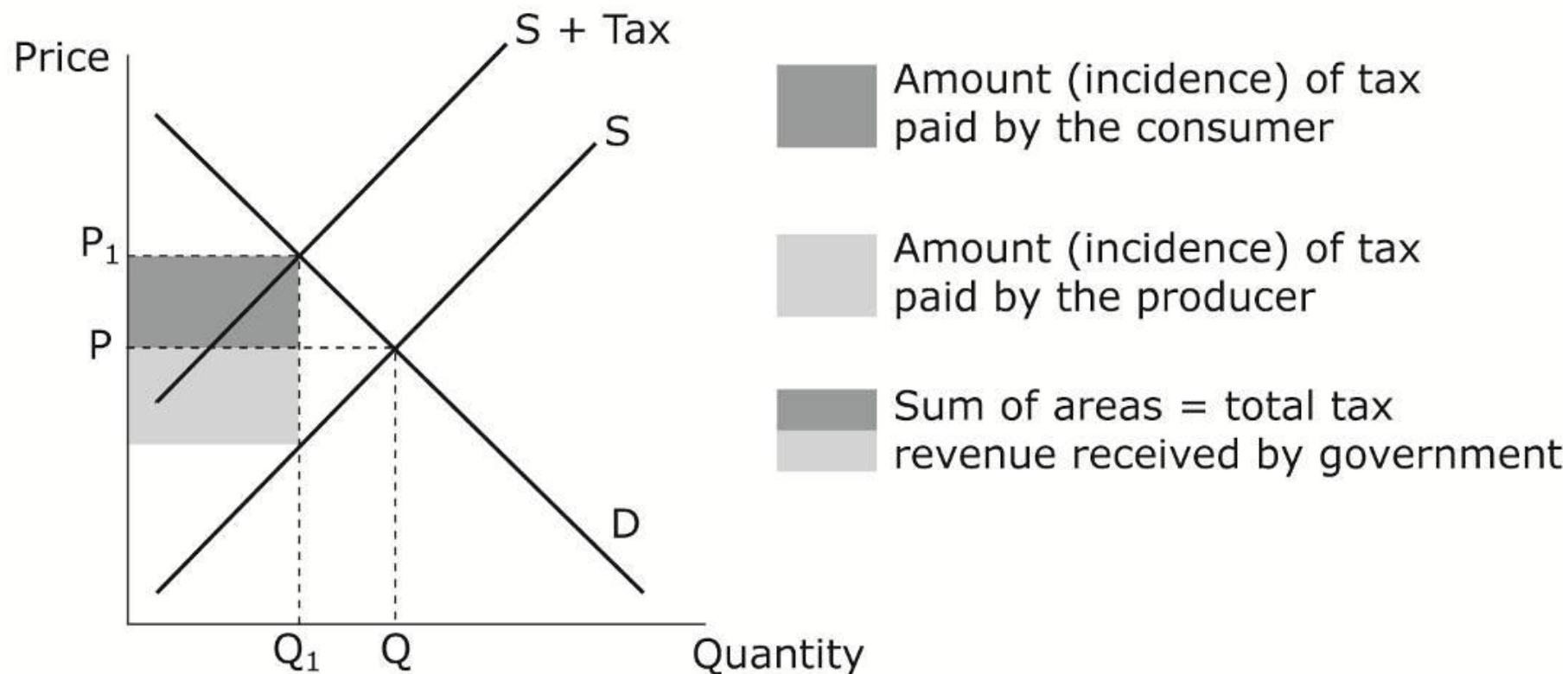
Q_1 = Social optimum quantity

Shaded area= welfare loss triangle from over consumption (negative externalities) and welfare loss from under consumption (positive externalities)

These ideas are built upon throughout the course

- Governments can intervene in markets to influence behaviour, or reduce market failure, for example through the use of legislation and/or taxation, but if this action does not improve the situation, we call this a government failure.

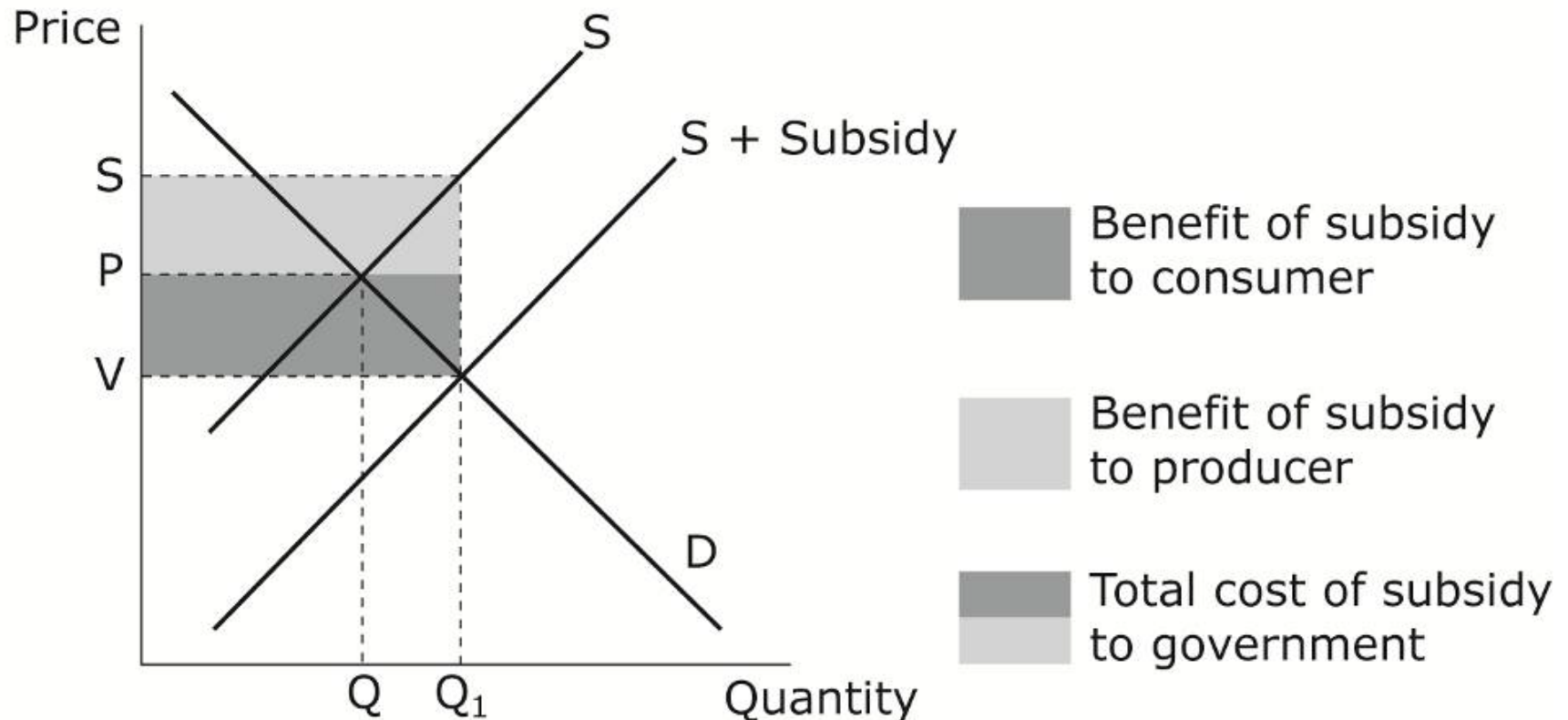
The Incidence of Taxation



These ideas are built upon throughout the course

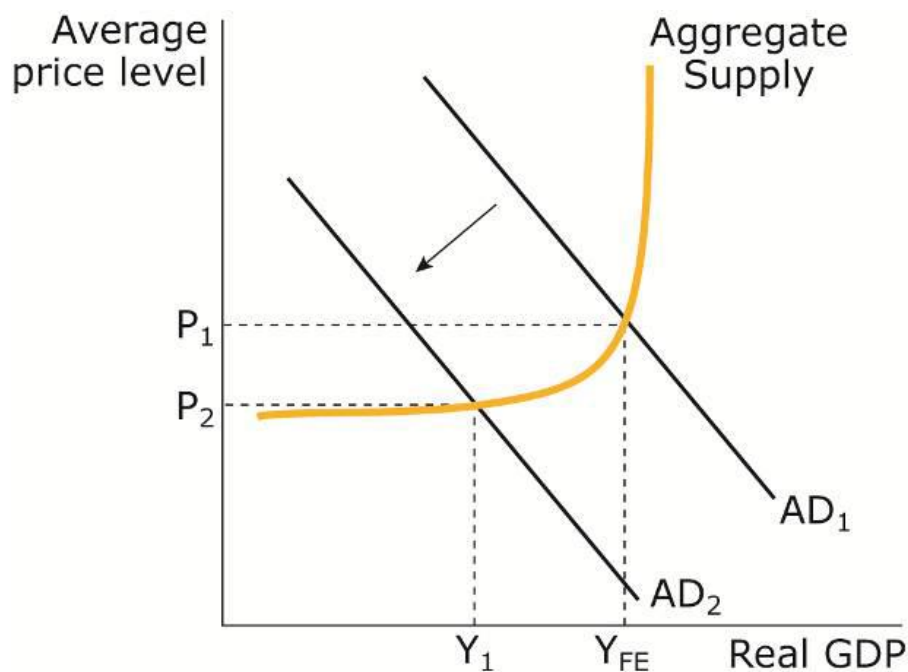
- Governments can use subsidies or legislation to encourage the production and consumption of products/services which benefit society, or provide these directly. But this will have financial or opportunity costs, and may reduce equity and efficiency.

Incidence of a Subsidy

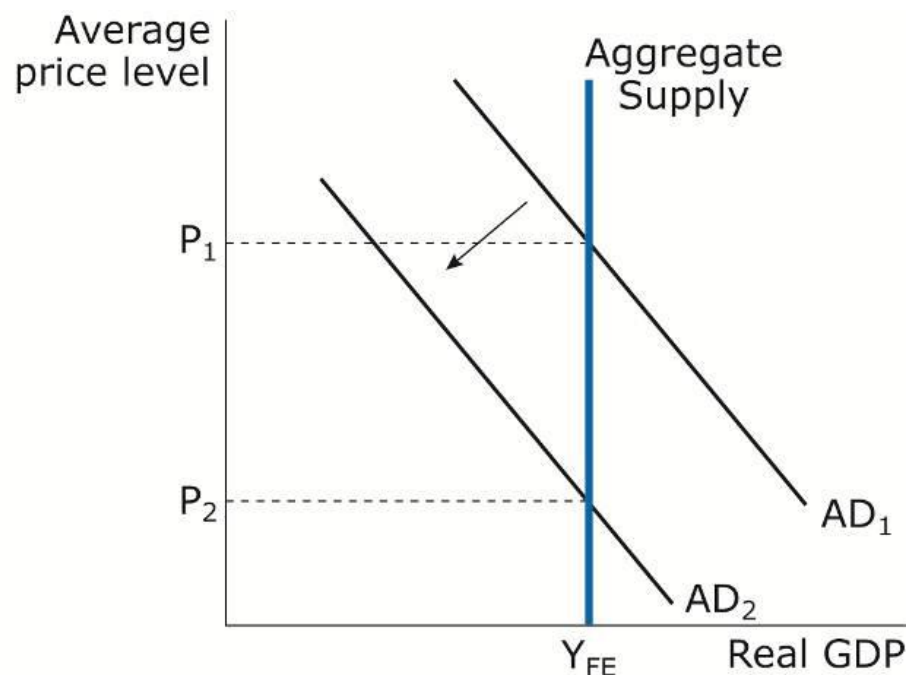


These ideas are built upon throughout the course

- We will also need to consider the aggregate (total) level of demand and supply in the whole economy (macroeconomics), and different schools of thought on how this is analysed



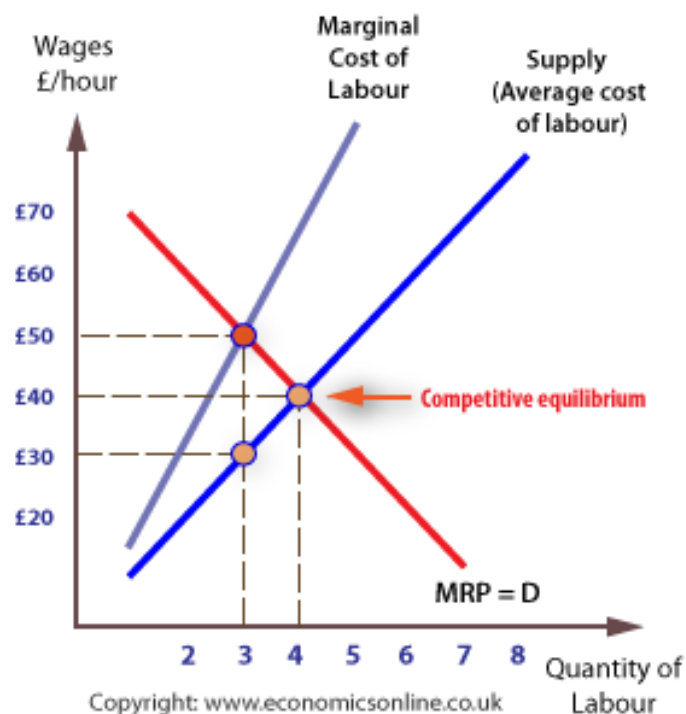
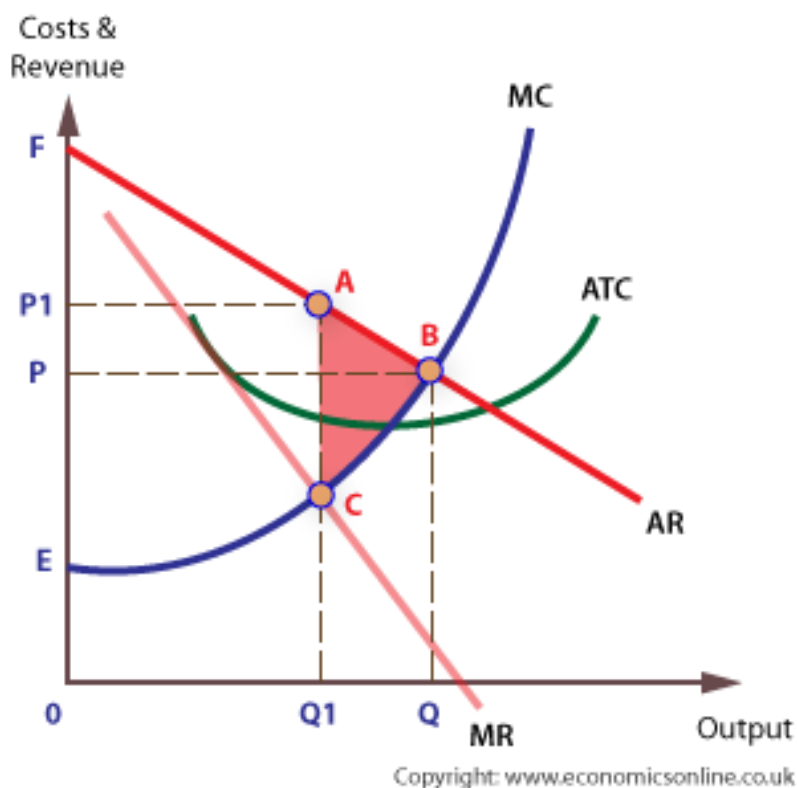
Keynesian LRAS curve



Classical LRAS curve

These ideas are built upon throughout the course

- Not every market is fully competitive. Existence of asymmetric market power between buyers and sellers can influence prices and quantities demanded and supplied. This also affects equity and efficiency.



Advice from current Year 12 students

- Work hard from the start AND START READING THE TEXTBOOK FROM THE BEGINNING OF THE COURSE – it is very difficult to catch up if you don't
- Make lots of detailed notes – you will need these when revising
- Complete past exam papers and questions set in class and homework - they help you develop better exam technique
- Complete the assigned reading before attending lessons – this really helps you to keep up with what is being taught, and make connections with the rest of what you are learning
- Keep up-to-date with the business news – it helps connect business theory with the real world.
- If you get stuck, ask your teacher (and each other) – we are all here to help each other

What websites should I start looking at?

- We follow the [Edexcel A Level Economics](#) course – the exam boards website has lots of information about what you will be studying and how you will be assessed.
- Three of the better sites to refer to are [EconomicsOnline](#), [Tutor2U](#) and YouTube, especially [pajholden](#), [EconPlusDal](#) and [JodieEconGirl](#). It has a whole array of economics-based resources, and an excellent blog which will give a great feel for the subject
- The [BBC](#) and [Channel 4 News](#)' websites are also excellent sources. For a more in-depth study, [The Economist](#) and [New York Times](#) offer peerless coverage
- There are many interesting blogs written by economics journalists which give a variety of contrasting views on the state of global economic affairs

Economics rules the World

My approach “I don’t want to teach you Economics; I want to teach my students how to learn, study and question Economics.”

That means you will need to buy and read the textbook. As soon as you have been enrolled on the course in August, get this done:

Your Course textbook: **Edexcel AS/A Level Economics (sixth edition) Student book + Active Book – Anderton, Alain (edited by Dave Gray) (ISBN: 9781447990550)**

Any Questions?

Email Mr Bouchaara @ o.Bouchaara@sfx.ac.uk

Extension - Summer work

- Using a range of referenced sources found through your independent research, prepare a short essay (**750 words maximum**) which answers the question below:

In recent years, the demand and supply of electric and hybrid vehicles has increased. Analyse a range of market-based and interventionist factors which best explain why this happened.

The question is asking, in your judgement, which factors have played the biggest role? Changing attitudes to the environment? Fashion trends? Government intervention? Firms' innovations and improvements to the product? Other reasons (for example, how demand and supply might be influenced by subsidies, taxes, changes in complements and substitutes, the positive and negative spillover effects (externalities) of increased consumption. Ensure you make reference to all the sources you use for your research. **For more guidance on the economics concepts, click this link.**

These articles might help: Why do they love electric cars in the Arctic Circle? (<http://www.bbc.co.uk/news/business-36402942>) and VW plans huge investment to become electric cars leader (<http://www.bbc.co.uk/news/business-36548893>)