

**Introduction to economics 1**

A good economics student not only knows their theory, i.e. the content that is on the specification, but also thinks like an economist. Economics is a subject that surrounds us all day every day. It is a real life subject that appears on the news every day. Variables change constantly, as do people’s behaviours and attitudes. A good economics student is inquisitive.

In less than 15 words sum up what you think Economics is about.

Write down 5 things you know about the economy or the study of economics.

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Watch the YouTube clip – Introduction to economics <https://youtu.be/sPnQiIZzZtw>

Now fill in the table below to show what you have learnt about the study of economics.

**Economics**

|  |  |  |
| --- | --- | --- |
|  | **Microeconomics** | **Macroeconomics** |
|  |  |  |

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In economics you will learn a lot of new terminology. In this worksheet, so far, you have been introduced to 7 key terms. Before moving on, check that you understand these terms.

* Microeconomics
* Macroeconomics
* Goods
* Services
* Finite resources
* Infinite needs and wants
* Scarcity

In April 2020 the BBC reported that petrol prices, in the UK, were nearing £1 a litre. A key topic in economics is **price determination**.

Do you think this is a micro or macro topic? Justify your answer.

**Micro or macro?**

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What factors do you think affect the price of petrol?



Price of

petrol

Remember, throughout your study of economics, it is important to keep up to date with national and global events. Good practice, after learning a new area of theory, is to practise applying it to a news story.

Open the BBC story:

**Coronavirus: Why is the petrol price nearing £1 a litre?**

<https://www.bbc.co.uk/news/business-52188448>

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Read the introduction and section on “Why are petrol prices falling?”

With a different colour pen is there any additional information, or empirical evidence, you can add to your spider diagram?

In Economics there are 9 quantitative skills.

* calculate, use and understand ratios and fractions
* calculate, use and understand percentages and percentage changes
* understand and use the terms mean, median and relevant quantiles
* construct and interpret a range of standard graphical forms
* calculate and interpret index numbers
* calculate cost, revenue and profit (marginal, average, totals)
* make calculations to convert from money to real terms
* make calculations of elasticity and interpret the result
* interpret, apply and analyse information in written, graphical and numerical forms

Look at the graph, “Oil price in 2020”, presented in the article. This is the type of information that is frequently used in economics questions. The 3 comments underneath help to explain the data. However, they are largely descriptive rather than demonstrating quantitative skills.

What was the peak crude oil price in 2020 by month?

|  |  |
| --- | --- |
| Month | Price ($) |
| Jan |  |
| Feb |  |
| Mar |  |
| Apr |  |

QS3 What was the mean crude oil price between January and April?

What was the lowest crude oil price in 2020 by month?

|  |  |
| --- | --- |
| Month | Price ($) |
| Jan |  |
| Feb |  |
| Mar |  |
| Apr |  |

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QS3 What was the mean lowest crude oil price between January and April?

Watch this short YouTube clip, on calculating percentage change and how to use it, to demonstrate exam skills. Examples given in the clip are business related but QS2 is the same across both subjects.

Take the information from the clip, and your calculations, to write a stronger economics based explanation of the graph provided. Imagine you are adapting this BBC article for a specialist magazine such as “The Economist”. You must demonstrate QS2, 3 and 4 in your response.

YouTube clip <https://www.youtube.com/watch?v=FOsrkEiZUlg>

**Oil Price in 2020**

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**Introduction to economics 2**

We are going to look in more detail at the economic models that are an important part of price determination.

These are **demand**, **supply** and **price equilibrium**. These are core components in microeconomics.

**Demand is the amount a customer is willing and able to buy, at a set price, at a given point in time.**

Watch this short YouTube video to learn about demand. You may want to download the note taker document here to support you whilst watching this clip.

If you haven’t already done so, remember to subscribe and to like the videos as you watch them.

This channel is here to support you throughout your study of economics.

YouTube <https://youtu.be/YuV9RRqahVY>

Note taker <https://drive.google.com/open?id=19L_0RNeJ7ZnE0Jvq8W0CQTtNjk-sHZxF>

Open the BBC story:

**Coronavirus: Why is the petrol price nearing £1 a litre?**

<https://www.bbc.co.uk/news/business-52188448>

Use a highlighter to read the whole article and pick out any factors that contributed to a change in demand. Note down the factors below.

Did demand increase or decrease?

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Was this as a result of a change in price or other factors?

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Should this be illustrated by a movement along or a shift in the demand curve?

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Draw a demand curve to demonstrate this. Remember to add a title and label axis and curves carefully.

Drawing the diagram is seen as knowledge. In economics, it is important to explain what your diagrams show. When doing this you reference the curve and axis labels. This is now demonstrating the skill of application. For example, as a result in a fall in demand caused by x there was a shift in the demand curve from D to D1. Developing this further to show cause and effect is known as analysis. This led to …..

**Explain your diagram**. (You are now starting to show 3 of the 4 exam skills that will be crucialthroughout your study of economics)

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In economics you will learn a lot of new terminology. In this worksheet, so far, you have been introduced to 2 key terms. Before moving on check that you understand these terms.

* Demand
* Demand curve



**Introduction to economics 3**

We are going to look in more detail at the economic models that are an important part of price determination.

These are **demand**, **supply** and **price equilibrium**. These are core components in microeconomics.

State 4 key points about demand:

* \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
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**Supply is the amount a producer is willing and able to provide, at a set price, at a given point in time.**

Watch this short YouTube video to learn about supply. You may want to download the note taker document here to support you whilst watching this clip.

YouTube <https://youtu.be/HuAYdv1bH1U>

Note taker <https://drive.google.com/open?id=1GZgw7AXWMKt3Lmfuj3JEg7vvB_93kNQB>

Open the BBC story:

**Coronavirus: Why is the petrol price nearing £1 a litre?**

<https://www.bbc.co.uk/news/business-52188448>

Production cuts were agreed by members of the Opec oil producers’ group.

As you study economics you will learn about a number of international institutions.

Watch this video on the history of OPEC to learn more.

[https://www.opec.org/opec\_web/en/multimedia/videoDetail.htm#6145701520001,1662595219408](https://www.opec.org/opec_web/en/multimedia/videoDetail.htm#6145701520001,1662595219408660231) [660231](https://www.opec.org/opec_web/en/multimedia/videoDetail.htm#6145701520001,1662595219408660231)

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Consider the line from the article “It kicked off when Saudi Arabia failed to convince Russia to back production cuts that had been agreed with the other members of the Opec oil producers' group.”

Did supply increase or decrease?

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Was this as a result of a change in price or other factors?

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Should this be illustrated by a movement along or a shift in the supply curve?

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Draw a supply curve to demonstrate this. Remember to add a title and label axis and curves carefully.

**Explain your diagram**. (You are now starting to show 3 of the 4 exam skills that will be crucialthroughout your study of economics.)

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When external factors, that are unexpected, affect demand or supply, these are called **external** **shocks**. These can be **demand-side shocks** or **supply-side shocks**.

Read the section of the article titled “Will petrol fall to £1 a litre?” With reference to the article explain the terms demand-side shocks and supply side shocks.

|  |  |
| --- | --- |
| **Demand-side shocks** | **Supply-side shocks** |
|  |  |

In economics you will learn a lot of new terminology. In this worksheet, so far, you have been introduced to 5 key terms. Before moving on check that you understand these terms.

* Supply
* Supply curves
* External shocks
* Supply-side shocks
* Demand-side shocks



**Introduction to economics 4**

We are going to look in more detail at the economic models that are an important part of price determination. These are **demand**, **supply** and **price equilibrium**.

State 4 key points about supply:

* \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
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**Price equilibrium is the price at which supply is equal to demand. On a graph it is, therefore, the point where the supply curve and the demand curve cross.**

Watch this short YouTube video to learn about price equilibrium. You may want to download the note taker document here to support you whilst watching this clip.

YouTube <https://youtu.be/iIUx1EfTrBc>

Note taker <https://drive.google.com/open?id=1FNuMhUpBmhtj8dI0KfMSIvAxK6Cq7ZRe>

Petrol prices have been affected by changes in both supply and demand leading to a lower equilibrium price. Draw a diagram to demonstrate this. Think through the steps logically.

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**Explain your diagram**.

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Write a list of all the factors that contributed to the fall in the price of petrol. Try to write your list in order, with the most significant factor at the top. Justify your rankings.

|  |  |
| --- | --- |
| Factor | Justification of ranking |
|  |  |
|  |  |
|  |  |
|  |  |

One factor affecting price is the **degree of competition** in the market. If there is a lot of competition power sways towards the consumer as they have greater choice. If there is no, or little, competition the power sways towards to supplier. With reference to the petrol market, backed by information from the article, <https://www.bbc.co.uk/news/business-52188448>, explain how the degree of competition in a market can affect price.

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Microeconomics looks at the production of goods and services to satisfy needs and wants. This process involves 4 **factors of production**. The use of each factor attracts a reward.

* Land - rent
* Labour - wages
* Capital - interest
* Enterprise - profit

Do all these factors exist in a petrol station? Support with examples.

|  |  |  |  |
| --- | --- | --- | --- |
| **Land** | **Labour** | **Capital** | **Enterprise** |
|  |  |  |  |

If the reward of profit is taken away there is no longer an incentive for a business to operate. With reference to the article, <https://www.bbc.co.uk/news/business-52188448>, and factors of production, explain why petrol stations may close down?

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In economics you will learn a lot of new terminology. In this worksheet, so far, you have been introduced to 4 key terms. Before moving on check that you understand these terms.

* Price equilibrium
* Market clearing
* Degree of competition
* Factors of production

You could now select a different industry e.g. video or music streaming, smart phones or a commodity such as gold and research the factors affecting price in that industry. Use diagrams and economic terms to explain your findings.