



St Mary Redcliffe and Temple School Sixth Form

Year 11 Into Year 12 Transition Task

Subject: Economics (Edexcel)

SMRT Sixth Form takes students from a wide range of schools who have studied a variety of GCSE syllabuses. We want to ensure that everybody is equally able to access the content of the A Level and so the following tasks give you a chance to ensure you are fully prepared.

Studying aspects of economics can be fascinating, but sometimes the daily routine of studying this subject might be a bit different, particularly when you have to read and understand things for yourself. We have therefore set you a simple task to complete, which you should bring with you to your first lesson. It shouldn't take you too long, but there are more resources suggested that you could look at if you want to get deeper into the subject before you start.

To ensure you are ready to fully access the A Level Syllabus you should attempt these tasks:

1. What do governments do? – Read the following extract which should give you some ideas about where the government fits into the economy (note: it's full of economic terms which you will understand fully when you have studied the subject so don't worry just yet):

“The issue of governance crops up a lot in economics. Governments have to address the challenges thrown up by market failure, and offer a fiscal framework that helps tackle macroeconomic problems. Regulators intervene in uncompetitive markets. When you look at development economics you don't get far before asking if poor quality government holds back the weakest economies.

All rich, developed, mature economies are democracies. Ricardo Hausmann offers an insight into why this might give just a glimpse of what we rely on governments for: to make air travel feasible and safe, the state ensures that pilots know how to fly and that aircraft pass stringent tests. They build airports and provide radar and satellites that can track planes, air traffic controllers to keep them apart, and security services to keep terrorists on the ground. All advanced economies today seem to need much more than the peace and justice that Adam Smith assumed governments should provide.

The problem is that due to the complexity of an economy consisting of over 61 million people and a wide range of economic agents such as firms, households, landlords, banks and government and the rest of the world to deal with even Adam Smith (the father of Economics) who understood that the economy was a complex system that

needed to coordinate the work of thousands of people just to make things as simple as a meal or a suit. Smith realised that while the economy was too intricate to be organised by anybody, it has the capacity to self-organise. It possesses an “Invisible Hand” which operates through market prices to provide an information system that can be used to calculate whether using resources for a given purpose is worthwhile – that is, profitable. Profit is an incentive system that leads firms and individuals to respond to the information provided by prices. This is the free-market system which governments do not control but who create an environment for it to work.

But as Hausmann points out, modern production requires many inputs that markets do not provide. Economists frequently refer to many of these services as public goods. And, as in the case of airlines, these inputs – rules, standards, certifications, infrastructure, schools and training centres, scientific labs, security services, among others – are deeply complementary to the outputs produced in free markets. They interact in the most intricate ways with the activities that markets organise. The job is so mind bogglingly complex, dictators just cannot get a handle on it. Even the most dazzling presidential executive cannot be fully aware of the things that are done or not done by the thousands of government agencies and how they affect each part of society. Instead, successful political systems have had to create an alternative invisible hand – a system that decentralises the power to identify problems, propose solutions, and monitor performance, such that decisions are made with much more information. That’s what effective democracies can do, and other political systems can’t. BUT, the big question for all of us who live in our economy is what should be the governments priorities in running the economy?”

Examples of some of the important things that a government should aim to provide for its citizens (it’s not a complete list but gives you some ideas for the task)

- Access to basic needs (Food, water, Housing, warmth, electricity, clothing, healthcare and medicine etc)
- Safety and security
- Protection of people’s rights
- Freedom
- Happiness
- Equity
- Democratic political process
- Protecting the environment
- Making sure people have jobs
- Making sure people have a minimum income/ standard of living
- Benefits/ welfare and other support to those in genuine need
- Economic stability (Growth, Low inflation, low unemployment, low interest rates) Improving peoples standard of living
- Providing key services such as education

- Preventing production or consumption of products that will do harm. E.g. Tobacco/ drugs
- Providing citizens with lower prices and more choice and better quality output. (e.g. TVs, phones and medicines etc)
- Making sure of the future prosperity of citizens by making the UK strong and competitive
- Encouraging strong and innovative firms to set up in the UK
- Provide better transport infrastructure like trains and roads
- Managing government finances so we don't go bust (like Ireland and Greece)

Task: Attempt a written response to the following question. You should not type more than one side of A4 (using a font size of 12 and single line spacing.) 'If ***you*** were running the UK economy and using the list above what would be the most important goals you would want to achieve and why?'

Useful Links to give you ideas:

- <http://youtu.be/ulyVXa-u4wE>
- http://youtu.be/NZsp_EdO2Xk
- <http://tutor2u.net/blog/index.php/economics/comments/why-do-we-need-economic-growth>

To get more into what this subject is about at a higher level:

If you fancy buying a book you should read – 'The Undercover Economist' by Tim Harford
 Take a look at these websites – <http://timharford.com/> (Tim is an economist and journalist – a fun guy)
<http://www.economicsuk.com/blog/> (David Smith is the economics editor for the Times)