

Summer Independent Learning

The purpose of the SIL work is to ensure that you are prepared for a good start to second year Economics by reviewing key topics for Paper1.

Focus of the work: Key topics for transition to year 13.

COMPULSORY

Part 1 Microeconomics focus

Task 1 View each video clip (13 links below) and make brief revision notes. Answer the practice questions to test yourself. You can access the videos by clicking on each hyperlink. You may need to play, pause and rewind.

The full set of online videos are hosted at:

<http://mruniversity.com/courses/principles-economics-microeconomics>



The screenshot shows a video player interface. At the top, the title is "Introduction to the Competitive Firm" with a "Next Video" button. Below the title, it says "instructor: Alex Tabarok, George Mason University". A short description follows: "How does a company really behave? We tend to assume profit — the bottom line — is the main motivation for a firm's actions. For most firms, most of the time, this is ... more". The main video area features a thumbnail for "PRINCIPLES OF ECONOMICS" with a play button. The thumbnail shows two men, Professor Tyler Cowen and Prof. Alex Tabarok, standing in front of a globe. At the bottom of the player, there are icons for "Download", "Options", "Translate", and "Share". A red circle highlights the "Practice Questions" button at the bottom right of the player.

Costs and Profit Maximization under Competition

- [Introduction to the Competitive Firm](#)
- [Maximizing Profit Under Competition](#)
- [Maximizing Profit and the Average Cost Curve](#)
- [Entry, Exit, and Supply Curves: Increasing Costs](#)
- [Entry, Exit, and Supply Curves: Constant Costs](#)
- [Entry, Exit, and Supply Curves: Decreasing Costs](#)

Competition and the Invisible Hand

- [Minimization of Total Industry Costs of Production](#)
- [The Balance of Industries and Creative Destruction](#)

Monopoly

- [Maximizing Profit Under Monopoly](#)
- [Office Hours: Calculating Monopoly Profit](#)
- [The Monopoly Markup](#)
- [The Costs and Benefits of Monopoly](#)
- [Natural monopoly](#)

Task 2

Revise these topics for an **initial assessment test** covering *Theory of the Firm* when you start the course in September. Review your micro booklets (7 & 8) on these topics AND use the Micro Course Companion.

3.1.3 Production, costs and revenue

3.1.4 Competitive and concentrated markets

You will need to know all of the diagrams.

Task 3

Complete the full Exam paper – Econ3 June 2015 – Housing market

(next page)

Background information:

<https://www.tutor2u.net/economics/reference/housing-market-failure>

<https://blogs.lse.ac.uk/politicsandpolicy/housing-crisis-what-should-the-next-government-do/>

Study Extracts D, E and F, and then answer all parts of Context 2 which follow.

Extract D: Housing tenure in England, as a percentage of households, for selected years

Housing tenure	2000	2010	2020*
Owner occupied, with a mortgage being repaid	43	35	29
Owner occupied, owned outright (no mortgage)	27	33	34
Social rented (from a council or housing association)	20	18	17
Private rented	10	14	20

Source: Official statistics, 2014

* The figures for 2020 are projected from current trends

Extract E: Housing tenure and externalities

Most Spaniards and Estonians live in flats, while most people in the UK and Ireland live in semi-detached houses. Housing markets are made up of different sectors or 'tenures' which describe the legal basis under which houses are occupied. Most of the population of the EU live in owner-occupied houses. Social housing is built or funded by the public sector and, in the past, the UK has been almost unique in Europe in providing such houses mainly through local councils. In France, this is done by not-for-profit organisations, similar to UK housing associations. About two-thirds of tenants across the EU pay a market price rent, while the rest receive some form of subsidy. In the UK, the concept of social housing has become complicated by the large number of private landlords whose tenants are receiving welfare benefits. While the UK government has moved away from rent controls, it has attempted to influence rents indirectly by capping housing benefits for low income tenants.	1 5 10
While housing has many of the characteristics of a merit good, externalities from housing can be positive or negative. Bad housing is often associated with crime, ill-health and other problems, and the opposite is true of good housing. Tenure can also be linked to externalities, for example, if poorly designed social housing, such as an inner-city block of flats, is compared with high-quality private housing in a prosperous area. Much depends on the quality of the build, the surrounding social conditions and the economic infrastructure.	15

Source: News reports, 2014

Extract F: Housing and inequality

The EU Commission has said: 'Decent housing at an affordable price in a safe environment is a fundamental need and right. Ensuring this need is met, which is likely to alleviate poverty and social exclusion, is still a significant challenge in a number of European countries.' Housing inequality can result in part from income inequality and can, in turn, help cause wealth inequality. Most houses are bought using mortgages which are issued by banks and building societies on the basis of income. The UK's 'Right to Buy' policy, dating from the 1980s, makes a one-off redistribution of wealth from the state to low income families when tenants buy their council houses at a subsidised price. Regional and international differences enable some house owners to convert their housing assets into other forms of wealth. For example, someone who sells a former council house they have owned for 30 years in south-east England might release enough profit to be able to purchase a similar house in north-west England, or even two houses in Bulgaria, while still having cash left over.	1 5 10
In most EU countries, 'austerity' pressures on public finances can be expected to cause a further withdrawal by government from a direct role in housing. The financial crash of 2007 was made worse in Europe by excessive property speculation, particularly in the UK, Ireland and Spain. In future, many young British people will have to adopt the German tradition of renting rather than buying, unless they eventually inherit a house from their parents. This has major implications for many aspects of the economy, including the mobility of labour and the distribution of wealth. Moreover, in 2013, a government 'Help to Buy' scheme, intended to assist first-time buyers with their deposits, has also subsidised would-be landlords buying property to rent out. Yet the UK remains short of social housing and affordable private housing.	15 20

Source: News reports, 2014

- 0 4** In 2010, there were 6.91 million households in England who lived in rented accommodation.
- Using **Extract D**, calculate to the nearest half million, the total number of households in England in 2010, **and** identify **one** significant point of comparison between the different housing tenures over the period shown.
- [5 marks]
- 0 5** Explain what is meant by the term 'externalities' (**Extract E**, line 12) **and** analyse how housing can create **both** positive **and** negative externalities.
- [10 marks]
- 0 6** 'In future, many young British people will have to adopt the German tradition of renting rather than buying, unless they eventually inherit a house from their parents. This has major implications for many aspects of the economy, including the mobility of labour and the distribution of wealth.' (**Extract F**, lines 17–20)
- Should government intervene in the UK housing market, for example using subsidies, or leave the provision of housing to market forces? Using the data and your knowledge of economics, justify your answer.
- [25 marks]

Part 2 Macroeconomics focus

Complete the following self-study lessons using the links:

- ✓ Macro Policy revision <https://www.tutor2u.net/economics/reference/macroeconomic-policy-revision-online-lesson>

- ✓ Monetary Policy evaluation <https://www.tutor2u.net/economics/reference/evaluating-monetary-policy-online-lesson>

- ✓ Fiscal Policy evaluation <https://www.tutor2u.net/economics/reference/evaluating-fiscal-policy-online-lesson>

- ✓ Supply Side Policy evaluation
<https://www.tutor2u.net/economics/reference/evaluating-supply-side-policies-online-lesson>

- ✓ International Competitiveness
<https://www.tutor2u.net/economics/reference/international-competitiveness-online-lesson>

POSTER RESEARCH TASK : Recommended

Posters are widely used in the academic community, and most university courses include poster presentations. Research posters summarize information or research concisely and attractively to help publicise it and generate discussion.

The poster is usually a mixture of a brief text mixed with tables, graphs, pictures, and other presentation formats. At a conference, the researcher stands by the poster display while other participants can come and view the presentation and interact with the author.

What makes a good poster?

- Important information should be readable from about 10 feet away
- Title is short and draws interest
- Word count of about 500 to 800 words
- Text is clear and to the point
- Use of bullets, numbering, and headlines make it easy to read
- Effective use of graphics, colour and fonts
- Consistent and clean layout

Is national happiness going to be a better way to measure economies than GDP ?

'There is now a rising worldwide demand that policy be more closely aligned with what really matters to people as they themselves characterise their wellbeing,' said Professor Jeffrey Sachs (source: UN World Happiness Report 2013).

The ***United Nations happiness report*** uses six key factors which affect happiness. These are:

- real GDP per capita
- healthy life expectancy
- social support (having someone to count on)
- perceived freedom to make life choices
- trust (freedom from corruption)
- generosity.

The data is collected annually and comes from people's own evaluation of their lives. The report finds that mental health is the biggest *single factor* affecting happiness in any country. The latest report ranked the UK 13th out of the 156 nations surveyed for happiness (up from 19th in 2018) – here is a link to the report <https://happiness-report.s3.amazonaws.com/2020/WHR20.pdf>

In 2010 the UK Prime Minister launched the **Measuring National Wellbeing programme** to 'start measuring our progress as a country, not just by how our economy is growing, but how our lives are improving; not just by our standard of living, but by our quality of life.' The Office for National Statistics (ONS) now compiles data covering 10 domains and 38 measures of wellbeing based on what people in the UK said actually mattered to them. As the ONS states, 'Societal and personal well-being in the UK (*is measured by*) looking beyond what we produce, to areas such as health, relationships, education and skills, what we do, where we live, our finances and the environment.' Their latest report was published this month, and it is not surprising that it found that between 20 March and 30 March 2020, almost half (49.6%) of people in Great Britain reported "high" (rating 6 to 10) anxiety: here is the link to this report. <https://www.ons.gov.uk/peoplepopulationandcommunity/wellbeing/bulletins/personalandeconomicwellbeingintheuk/may2020>

The Better Life Index, launched in 2011 by the Organisation for Economic Co-operation and Development (OECD), also looks at people's subjective judgements on life together with objective indicators. Their 'Country snapshot' of the UK can be found here: <http://www.oecdbetterlifeindex.org/countries/united-kingdom/>

In 2014 the OECD published an article by economist Diane Coyle, titled 'Is GDP still useful?' – here is a link to that article: <http://www.oecdbetterlifeindex.org/blog/is-gdp-still-useful.htm> In the current economic climate, with GDP predicted to fall in the UK by around a third this year, it may be a good moment to consider whether there are better ways to measure the health of our economy.

Using a selection of the links above and your own research, write a report for a Government Minister with the following title:

Additional source links

- <https://www.tutor2u.net/economics/reference/measuring-the-standard-of-living>
- <https://hbr.org/2019/10/gdp-is-not-a-measure-of-human-well-being>
- <https://www.forbes.com/sites/jamesellsmoor/2019/07/11/new-zealand-ditches-gdp-for-happiness-and-wellbeing/?sh=76ef9d8f1942>
- <https://www.weforum.org/agenda/2019/03/finland-is-the-world-s-happiest-country-again/>
- <https://www.khanacademy.org/economics-finance-domain/macroeconomics/macroeconomic-indicators-and-the-business-cycle/macroeconomic-limitations-of-gdp/a/how-well-gdp-measures-the-well-being-of-society-cn>
- <https://theconversation.com/how-happiness-is-challenging-gdp-as-the-measure-of-a-countrys-health-56465>
- <https://bigthink.com/politics-current-affairs/gdp-vs-happiness-bhutan?rebellitem=2#rebellitem2>

Guidance on design

<https://www.monash.edu/rlo/research-writing-assignments/assignment-types/poster-presentation/designing-the-poster>

Content Guidance

You should produce an A3 size poster for display in class with the following:

- ✓ Why do we usually measure economic success in terms of gdp and gdp per capita?
- ✓ Advantages & disadvantages

- ✓ Explain the alternative approaches to gdp measures (eg happiness/ Better life index)
- ✓ Advantages & disadvantages

- ✓ Examples (see New Zealand / Finland/ Bhutan)

- ✓ What's your own view

- ✓ You must include appropriate graphics and data sources used.