# **Theme 1 – Revision Checklist**Note: the numbers in the ‘slides’ column correlate with the numbers at the start of each worksheet, slides, notes etc. on SharePoint.

| **Slides** | **Topic** | **Learning Objectives** | **Specification section & additional guidance** | **Revised?** |
| --- | --- | --- | --- | --- |
| 1 & 2 | **Economic Problem and opportunity cost** | Infinite wants and limited resources lead to a choice being made. Give examples, individual, firms and government. Opportunity Costs. | **1.1.3 The economic problem**a) The problem of scarcity – where there are unlimited wants and finite resources b) The distinction between renewable and non-renewable resources c) The importance of opportunity costs to economic agents (consumers, producers and government) **Students need to understand that opportunity cost arises because resources are limited but wants are infinite.** Highlight that approaching decisions using the concept of opportunity cost helps decision makers assess options. They should pick the option that has the lowest opportunity costImportance of opportunity costs to economic agents: consumers, producers and government.Introduction to factors of production (land, labour capital) and co-ordination of them (enterprise).Economic problem: Infinite wants and finite (scarce) resources. |  |
| 3 | **Distinguish between renewable and non-renewable resources.**  | Students should be able to understand the meaning of sustainable resources | **1.1.3 The economic problem**b) The distinction between renewable and non-renewable resources Students should understand the meaning of sustainable resources.You don’t need to know too much about this – just links to the economic problem |  |
| 4 | **Positive & Normative statements** | Distinguish between objective statements and value judgements on economic issues | **1.1.2 Positive and normative economic statements**a) Distinction between positive and normative economic statements b) The role of value judgements in influencing economic decision making and policy *Students should know that value judgements influence economic decision making and policy* Note: you will not gain marks for say ‘opinion’, you need to say ‘value judgement’. |  |
| 5 | **Economics as a social science** | Understand what is meant by a ‘social science’ and therefore why Economics exists. | **1.1.1 Economics as a social science**a) Thinking like an economist: the process of developing models in economics, including the need to make assumptions b) The use of the ceteris paribus assumption in building models c) The inability in economics to make scientific experimentsIntroduce a topical issue, e.g. ‘Free school meals for children at infant school will reduce the cost burden in the future for the NHS’. Students could then brainstorm the assumptions which might underlie this economics argument. Further discussion can then take place on the importance of ceteris paribus and therefore what other factors might influence the future cost for the NHS. |  |
| 6 | **Production Possibility Frontier**  | Use PPF to illustrate opportunity cost, economic growth and the efficient allocation of resourcesDistinguish between movements along and shifts in the curve.The distinction between capital and consumer goodsThe distinction between movements along and shifts in production possibility curves, considering the possible causes for such changes  | **1.1.4 Production possibility frontiers**a) The use of production possibility frontiers to depict:* opportunity cost (through marginal analysis)
* economic growth or decline
* efficient or inefficient allocation of resources

possible and unobtainable production b) The distinction between movements along and shifts in production possibility curves, considering the possible causes for such changes c) The distinction between capital and consumer goods Students need to understand that the marginal cost (marginal means ‘one more’ so the cost of one more) of a good is the opportunity cost of producing one more unit of it. *A basic definition of economic growth is required along with knowledge of the factors which might cause the production possibility frontier to shift outwards or inwards.**A/A\* grade students may want to be aware as to why the PPF is curved and not straight (as it becomes more and more difficult to move resources from one production to another).*Students need to understand that the PPF represents the production possibilities for a particular time period only, e.g. a year. The economy will have built up a stock of capital goods before, which can then be used, with other resources, to produce more capital goods and/or consumer goods. Some students might appreciate that a certain production of capital goods is needed to just balance the ones which get broken! |  |
| 7 | **Money, trade and specialisation**  | Benefits and disadvantages of specialisation and the division of labour.Consider the risks ofSpecialisation.Outline the functions of money. | **1.1.5 Specialisation and the division of labour**a) Specialisation and the division of labour: reference to Adam Smith b) The advantages and disadvantages of specialisation and the division of labour in organising production c) The advantages and disadvantages of specialising in the production of goods and services to trade d) The functions of money (as a medium of exchange, a measure of value, a store of value, a method of deferred payment) *AS/Year 12 students are* ***not (until Year 13)*** *expected to have an understanding of international specialisation and comparative advantage.* |  |
| 8 & 9 | **PED** | Explain price elasticity of demand.Understand factors that influence elasticities of demand and their significance to firms and government.Calculations are needed for this topic.Learn the formula and the meaning of results. | **1.2.3 Price, income and cross elasticities of demand**a) Understanding of price, income and cross elasticities of demand b) Use formulae to calculate price, income and cross elasticities of demand c) Interpret numerical values of: * price elasticity of demand: unitary elastic, perfectly and relatively elastic, and perfectly and relatively inelastic
* income elasticity of demand: inferior, normal and luxury goods; relatively elastic and relatively inelastic
* cross elasticity of demand: substitutes, complementary and unrelated goods

d) The factors influencing elasticities of demand e) The significance of elasticities of demand to firms and government in terms of: * changes in real income
* changes in the prices of substitute and complementary goods

NOTE: The specification section above includes PED, YED and XED.*Students may have to calculate and interpret numerical values of price, income and cross elasticity of demand.* Calculations are needed for this topic.Factors that affect elasticities of demand and importance to firms and governmentsAnalysis marks are gained by interpreting the answer to your calculation. Remember for PED, if it is less than 1 = inelastic. More than 1 = elastic. You IGNORE the +/- sign, therefore -0.4 would be inelastic.Price elasticity of demand: unitary elastic, perfectly and relatively elastic, and perfectly and relatively inelasticAvoid students making statements such as ‘in this case consumers react a lot to a price change’.* This comes across as a little amateurish. It is the *proportions* of changes between price and quantity that we should focus on.
 |  |
| 10 | **YED**  | Explain income elasticity of demand. Learn the formula and the meaning of results. | *Students may have to calculate and interpret numerical values of price, income and cross elasticity of demand.*Income elasticity of demand: inferior, normal and luxury goods; relatively elastic and relatively inelastic |  |
| 11 | **XED.** | Explain cross elasticity of demand. Learn the formula and the meaning of results. | *Students may have to calculate and interpret numerical values of price, income and cross elasticity of demand.*Cross elasticity of demand: substitutes (positive coefficient), complementary (negative coefficient) and independent goods |  |
| 13 | **Uses of elasticity and factors of PED** | Understand factors that influence elasticities of demand and their significance to firms and government.Link between revenue and PED | **1.2.3 Price, income and cross elasticities of demand**e) The significance of elasticities of demand to firms and government in terms of: * changes in real income
* changes in the prices of substitute and complementary goods

f) The relationship between price elasticity of demand and total revenue (including calculation)Students should be able to understand the diagram that links total revenue (TR) with price changes along a demand curve (in slides). This diagram is revisited in more detail during Year 13. |  |
| 14 & 15 | **Price elasticity of Supply**  | Explain price elasticity of supply; understand factors that influence price elasticity of supply.Distinguish between the short run and long run in economics and understand its significance to price elasticity of supply. | **1.2.5 Elasticity of supply** a) Understanding of price elasticity of supply b) Use formula to calculate price elasticity of supply c) Interpret numerical values of price elasticity of supply: perfectly and relatively elastic, and perfectly and relatively inelastic d) Factors that influence price elasticity of supply e) The distinction between short run and long run in economics and its significance for elasticity of supply Understand factors that affect PES, including being able to distinguish between short and long run and understand link to PES.You must also be able to draw inelastic/elastic supply curve.PES is the responsiveness of supply to a given change in price – how quickly can firms increase/decrease supply when the price changes. |  |
| 16 & 17 | **Indirect taxes and subsidies** | Use supply and demand to demonstrate the impact and incidence (burden) of tax and subsidies on consumers, producers and the government. | **1.2.9 Indirect taxes and subsidies**a) Supply and demand analysis, elasticities, and: * the impact of indirect taxes on consumers, producers and government
* the incidence of indirect taxes on consumers and producers
* the impact of subsidies on consumers, producers and government
* the area that represents the producer subsidy and consumer subsidy

**1.4.1 Government intervention in markets**a) Purpose of intervention with reference to market failure and using diagrams in various contexts:* indirect taxation (ad valorem and specific)
* subsidies

**1.2.3 Price, income and cross elasticities of demand**e) The significance of elasticities of demand to firms and government in terms of:* the imposition of indirect taxes and subsidies

Students should be aware of the importance of elasticities of demand and supply and the impact upon the incidence of tax.Ad valorem and specific tax are different **types of indirect tax** – they each have a slightly different diagram.The taxation diagram(s) are for indirect taxes only, you cannot use these for a direct tax – as the whole point of these diagrams is to show how much the **intermediary (producer)** and the consumer pays.The impact of subsidies on consumers, producers and government You need to be able **to calculate the amount of tax paid by the consumer, producer and the total revenue** received by the government. |  |
| 18 | **Free market economies, mixed economy and command economy** | Understand the advantages and disadvantages of a free market economy and why there are mixed economies. | **1.1.6 Free market economies, mixed economy and command economy**Revisit 1.2.7 here as functions of price mechanism leads nicely into advantages of free market economies.1. The distinction between free market, mixed and command economies: reference to Adam Smith, Friedrich Hayek and Karl Marx
2. The advantages and disadvantages of a free market economy and a command economy
3. The role of the state in a mixed economy

The distinction between free market, mixed and command economies: reference to Adam Smith, Friedrich Hayek and Karl MarxThe advantages and disadvantages of a free market economy and a command economyThe role of the state in a mixed economyStudents should have an awareness of the perspective of Smith, Hayek and Marx. There is no requirement for detailed consideration of the work of each economist. |  |
| 19 | **Public Goods & Information Gaps****Market Failure** | Define and understand different types of market failure Explain why public goods may not be provided by the market.Distinguish between public and private goods. | **1.3.3 Public goods**a) Distinction between public and private goods using the concepts of non-rivalry and non-excludabilityb) Why public goods may not be provided by the private sector: the free rider problem***Public goods:*** *students should understand the non-excludability and non-rival characteristics.*Discuss whether there is such a thing as a public good. Do this by giving students a selection of goods/services and get them to say whether they are private goods or public goods. Are they non-rivalrous or non-excludable or do they only contain elements of both* a playground
* broadcasting
* a firework display
* police protection

**1.3.4 Information gaps**a) The distinction between symmetric and asymmetric informationb) How imperfect market information may lead to a misallocation of resources***Market failure:*** *students should understand that market failure is when the price mechanism causes an inefficient allocation of resources.*Types of market failure in Year 12:* externalities
* under-provision of public goods
* information gaps

*Exam technique crucial for this type of question: KAA would be why a particular market does demonstrate market failure. EV would be why it has been successful/not market failure.* |  |
| 20 | **Externalities – Positive and Negative** | Illustrate external costs and benefits distinguishing between the market and socially optimum positions. The welfare loss or gain areas are requiredIllustrate the different measures of government intervention onto diagrams to correct market failure. | **1.3.2 Externalities**a) Distinction between private costs, external costs and social costsb) Distinction between private benefits, external benefitsand social benefitsc) Use of a diagram to illustrate:* the external costs of production using marginal analysis
* the distinction between market equilibrium and social optimum position
* identification of welfare loss area

d) Use of a diagram to illustrate:* the external benefits of consumption using marginal analysis
* the distinction between market equilibrium and social optimum position
* identification of welfare gain area

e) The impact on economic agents of externalities and government intervention in various markets. IMPORTANT: There are in fact four externality diagrams, but you only need to know the two types mentioned in class – don’t worry about the others:Students are required only to illustrate the external costs from production (**negative externality of production MSC>MPC**) and external benefits from consumption (**positive externality of consumption MSB>MPB**)*NHS, State education, How much should the government pay for university education**Subsidies for renewable energy, public transport, Boris’s bikes**Note: the welfare loss still occurs in the positive externality diagrams, because the market quantity is still below Q\* - so there is some benefit which isn’t being fully exploited.*  |  |
| 21 | **Methods of government intervention****Regulation and provision of information** | Understand the different measures of government intervention to correct market  | **1.4.1 Government intervention in markets**b) Other methods of government intervention:* trade pollution permits
* state provision of public goods
* provision of information
* regulation

**1.3.4 Information gaps**a) The distinction between symmetric and asymmetric informationb) How imperfect market information may lead to a misallocation of resources*Understand how imperfect market information may lead to a misallocation of resources e.g. health, education, pensions, tobacco and alcohol.*Give students scenarios to discuss to feedback to class – who knows more and what will be the effect?* a private dentist tells you that you need a filling
* a second-hand care salesman tells me the car is a good runner
* the seller of a pension scheme who says the future will be well provided for
* the cigarette manufacturer who does not inform potential consumers of the true health risk from smoking

Education could be used again in context of individuals misunderstanding the true benefits for themselves Discuss relative advantages and disadvantages of a carbon tax compared with using pollution permits.*A/A\* grade students should be able to apply these interventions to externality diagrams. Remember,* *treat* ***MPB like a demand curve*** *and* ***MPC like a supply curve –*** *governments are unable to move the MSB or the MSC curves, only the private curves.**Example: Subsidy and tax would shift MPC (supply) left/right.**Example: Information/advertising would shift MPB (demand) left/right.**These interventions will then aim to reduce the welfare loss.*Stress that government intervention is to try and move the market equilibrium to the optimum level.Students should know the benefits and drawbacks (Evaluation) for each type of government intervention – details of which are in MW notes for each intervention. |  |
| 22 | **State Provision** | Explain what is meant by state provision and why it is necessary for the state to provide some goods/services like the NHS. | **1.4.1 Government intervention in markets**b) Other methods of government intervention:* trade pollution permits
* state provision of public goods
* provision of information
* regulation

Stress that government intervention is to try and move the market equilibrium to the optimum level. |  |
| 23 | **Tradable Pollution Permits** | Explain how these systems work and evaluate their effectiveness. | **1.4.1 Government intervention in markets**b) Other methods of government intervention:* trade pollution permits
* state provision of public goods
* provision of information
* regulation

Discuss relative advantages and disadvantages of a carbon tax compared with using pollution permits.Review news websites on themes such as ‘Industry warns carbon tax could cause huge job losses’ and research EU Emissions Trading Scheme. |  |
| 24 | **Government failure** | To understand that government intervention may reduce economic efficiency.Government failure is when the government intervenes within a market, but consequently causes a greater misallocation of resources and/or increased welfare loss.  | **1.4.2 Government failure***a) Understand of government failure as intervention that results in a net welfare loss**b) Causes of government failure:** *Distortion of price signals*
* *Unintended consequences*
* *Excessive administration costs*
* *Information gaps*
1. Government failure in various markets

*Students should be aware of government failure in a few contexts to demonstrate the topic.**Exam technique crucial for this type of question: KAA would be why a particular market that the government has intervened in does demonstrate government failure. EV would be why it has been successful/not market failure – or critiquing any of KAA points.**Government failure is not simply when they try to intervene “they make things worse”.* |  |

**Additional Supporting Materials**

**When in doubt as to *what* to learn and what you *must* know – check the wording of the specification. Edexcel cannot assess you on concepts not in the specification. Combined with the SJS check lists, these check lists cover every part of specification.**

YouTube – Pajholden <https://www.youtube.com/user/pajholden/videos>

YouTube – EconplusDal <https://www.youtube.com/user/EconplusDal/videos>

Tutor2u Topics Search <https://www.tutor2u.net/economics/topics>

Tutor2u Topics Study Notes <https://www.tutor2u.net/economics/blog/economics-topic-study-notes>

Physics and Maths Tutor (goes through Edexcel specification) <http://www.physicsandmathstutor.com/economics-revision/a-level-edexcel-a/>

Edexcel AS/A Level Economics 2015: Student Book by Alain Anderton and Dave Gray

[Edexcel A level Economics A Book 1 by Peter Smith](https://www.amazon.co.uk/Edexcel-level-Economics-Book-1/dp/1471830004/ref%3Dsr_1_8?s=books&ie=UTF8&qid=1491929772&sr=1-8&keywords=edexcel+economics+A" \o "Edexcel A level Economics A Book 1)