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| **SEMESTER 1 - COURSE OUTLINE** |
| STAGE 1 ECONOMICS | |

**Core Topic: Thinking Like an Economist**

**The Economic Problem.**

* Human Desires (Wants and Goods)

*- Material needs and wants: Definitions and examples.*

*- Want satisfaction: using goods and services. Types of goods and services.*

*- Factors influencing wants: age, gender, tastes and preferences, social and cultural backgrounds, technology, advertising, trends, peer pressure.*

*- Comparison between countries and generations.*

* Resources

*- Definition*

*- The Factors of Production: Land, Labour, Enterprise and Capital.*

*- Factor Incomes: wages, rents, interest and profits.*

* Scarcity

*- absolute vs relative*

**Scenario 1: Economic Decision Making**

**The Economics of Choice.**

* Opportunity Cost
* The Production Possibility Frontier model

*- Definition*

*- Assumptions*

*- Illustration of the Economic Problem: relative scarcity, opportunity cost. efficiency,*

*- Movements*

*- Economic Growth: actual vs potential*

* 3 Fundamental Choices

*- What, How and For Whom to produce.*

* Sovereignty

*- Define Concepts*

*- Influence of consumer and producer over 'What' is Produced and Price*

**Influencing Choices - Economics of Incentives.**

* Definition of Incentives
* Importance of Incentives

*- Notion of Self Interest*

* Types of Incentives
* *Extrinsic, Intrinsic.*
* *Financial (Economic/Remunerative) Moral, Natural, Coercive*
* *Elements of Intrinsic Incentives: Autonomy, Mastery, Purpose, Connection*
* Price as an Incentive
* *Signalling and Incentive Functions*
* Incentives for Consumers and Producers

*- Utility and Profit*

* Effectiveness of Incentives
* *Perverse Incentives – Cobra Effect*
* *Financial Incentives – Over Justification Effect*
* *Other Failures: - Supplier Induced Demand, Ethical Conflicts, Inequality*
* Incentives in Differing Markets

*- Labour: Shirking*

*- Sports: Perverse Incentives, Choking, Inequality, Gaming the System, Corruption*

**Scenario 2: Markets in Action**

**Market Mechanism**

* Markets

*- Definition.*

* Demand

*- Definition*

*- The Law of Demand*

*- Factors affecting: Price and non-price determinants.*

*- Demand Curves: Movements along and shifts of*

* Supply

*- Definition*

*- Law of Supply*

*- Factors affecting: Price and non-price determinants.*

*- Supply curves: Movements along and shifts of*

* Interaction of demand and supply:

*- Shortages,*

*- Surpluses*

*- Equilibrium price*

* Elasticity

*- Definition*

*- Factors affecting: availability of substitutes and extent of necessity*

**Scenario 3: Government Involvement in the Economy**

* Government Intervention in the demand and supply model

*- Maximum prices*

*- Minimum prices*

*- Taxation*

*- Subsidies*

* Market failure

*- Meaning.*

*- Types of market failure: Externalities.*

**The Existence of Parallel Markets (Economic Project)**

* Parallel Markets
  + *Definition.*
  + *Factors Causing: corruption, regulation, or legal monopolies*
  + *Diagrammatic representation*
  + *Characteristics*

*- Price, Illegal products, Legal products*

* Types of Parallel Markets
  + *Current Markets*

*- Illegal Drugs*

*- Prostitution*

*- Weaponry*

*- Alcohol and Tobacco*

*- Copyright Material*

*- Fuel*

*- Wildlife*

**The Oligopolistic Market.**

* Importance of Competition
  + *Economic Impacts - Choice, Quality, Price, Innovation*
* Classifying markets based on the level of competition
  + *Perfect competition, Monopolistic competition, Oligopoly, Monopoly*
* Characteristics of an Oligopoly
  + *Number of Firms, Size of Firms, Barriers to Entry, Degree of Sovereignty*
* Behaviour of an Oligopoly
  + *Pricing Strategies*

*- Interdependence and Competitive Behaviour*

*- Impacts on Elasticity: the kinked demand curve:*

*- Game Theory*

* + *Marketing*

*- Purpose of Marketing: persuade (wastage of resources) vs inform (aids in rational choice); promote competition (efficiency) vs create a monopoly (inefficiency)*

*- Case Study: the marketing of an oligopoly (comparison advertising)*

* Regulation of Oligopolies

*- Preventing Restrictive Trade Practices: Collusion, cartels, exclusive dealing, mergers and takeovers, exclusive dealing*

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| **Core Topic: Thinking Like an Economist**  **The Economic Problem.**   * Human Desires (Wants and Goods) * Resources * Scarcity |  |  |
| **Scenario 1: Economic Decision Making**  **The Economics of Choice.**   * Opportunity Cost * The Production Possibility Frontier model * 3 Fundamental Choices * Sovereignty   **Influencing Choices - Economics of Incentives.**   * Definition of Incentives * Importance of Incentives * Types of Incentives * Price as an Incentive * Incentives for Consumers and Producers * Effectiveness of Incentives | **Folio 1:** Designing a Zoo – Report: opportunity cost and incentives to influence choices | Written Report with map design emphasising the choices and opportunity costs made in designing a zoo along with the incentives that have been used to attain the goals. |
| **Scenario 2: Markets in Action**  **Market Mechanism**   * Markets * Demand * Supply * Interaction of demand and supply: * Elasticity   **Scenario 3: Government Involvement in the Economy**   * Government involvement in the demand and supply model * Market failure   **The Existence of Parallel Markets**   * Parallel Markets * Types of Parallel Markets | Folio 2(a) – short answer responses to impacts on prices of a chosen market.  **Economic Project**  Analysis and evaluation of a parallel market – including causes, impacts and solutions | Identify and document 3 factors that have impacted on the price movements of a product in a chosen market over the last two years. – a timeline of price movements with short answer analytical response identifying contributing factors. – evidence supported by annotated news articles or other sources. 500 words |
| **The Oligopolistic Market**   * Importance of Competition * Classifying markets based on the level of competition * Characteristics of an Oligopoly * Behaviour of an Oligopoly * Impacts of Oligopolies | Folio 2 (b) | Visual and written summary of the extent to which the market structure of the product from part a reflects an oligopoly. |