

# Year 11 to year 12 summer work: economics

Congratulations on deciding to become an economist. Prepare to see the world in a new light! Here is work to be done over the summer which will be checked first lesson back in the autumn

1. **Watch these videos:** [Scarcity and Choice](#) by mjmfoodie 4min.35 secs | [The Basic Economic Problem](#) by Econplustal 3mins 37secs | [Resources](#) by mjmfoodie 4mins 20 secs and make notes
2. Read about **scarcity**, **trade-offs** and **opportunity cost** using these study notes on the [basic economic problem](#) from Tutor2U. Ignore discussion on issues such as behavioural economics
3. Read these notes:
  - a. **Consumers** are individuals who buys and uses a product eg apples
  - b. **Household:** a group of consumers whose spending decisions are connected eg a family
  - c. **Economic agents** are decision makers i.e. consumers, producers and government
  - d. Consumer wants and needs are satisfied (met) by consuming (using) products.
  - e. Products are
  - f. **goods** a physical item eg a car
  - g. **services** a non-physical item such as education
  - h. **Consumer goods:** physical products used by consumers to satisfy a want
  - i. **Producer or capital goods** are used by firms to make more goods or services
  - j. Goods and services are created using **resources**
  - k. A **firm** is an organisation that manages resources to make products
  - l. Most firms produce products hoping to maximise profit
  - m. **Profit** is the revenue from sales left over after all costs are met
  - n. **Scarcity** occurs because there are insufficient resources to make all the products society wants i.e. resources are limited but wants are infinite
  - o. Scarcity means **choices** must be made about what, how and for whom to produce
  - p. **Opportunity cost** is the best alternative sacrificed when a choice is made
  - q. Opportunity cost helps decision makers assess options
  - r. The **economic problem** is how to allocate scarce resources amongst alternative uses
  - s. **Economic good:** products that are created using scarce resources. Consuming economic goods incurs an opportunity cost
  - t. **Free good:** any product created without using scarce resources eg sunlight and fresh air. Consuming free goods incurs no opportunity cost
  - u. **Renewable resources** have stock levels that can be maintained over time eg replanting trees that are felled
  - v. **Non-renewable resources** have the stock level decreases over time as it is used up and it can't be replaced eg fossil fuels
  - w. **Sustainability** is meeting the needs of the present without compromising the ability of future generations to meet their own needs i.e. capacity for continuance
  - x. Depleting non-renewable resources reduces the ability of future generations to meet their own needs and so threatens sustainability
4. **Learn definitions of these terms:** consumers; households; economic agents; goods; services; producer goods; firms; profit; scarcity; opportunity cost; economic problem; renewable resources; non-renewable resources
5. **Explain examples of opportunity cost situations** facing: an individual, the firm and the government
6. **Find out about Adam Smith and his pin factory** to show the benefits of **specialisation** and the **division of labour**. Be ready to describe his ideas in class