

# ECONOMICS DEPARTMENT



# Welcome !!

Welcome to Economics. A few of you will have done some Economics before whilst, for the majority, this will be a new subject. Don't worry we will take things very slowly and you will soon pick up the subject knowledge. We have put together a few tasks on a range of topical issues which we hope will give you a flavour of what to expect from the course. It would probably be best to take each topic separately rather than trying to do them all at once. Best of luck!

# INTRODUCTION TO ECONOMICS

What is Economics?



1m 50secs – 4m 39secs

[https://www.youtube.com/watch?v=3ez10ADR\\_gM](https://www.youtube.com/watch?v=3ez10ADR_gM)

# Tasks

Look at the video above between the times specified and then answer the following questions:

- 1) What is Economics?
- 2) What is meant by scarcity, choice and opportunity cost?
- 3) Click on the link below which takes you to a series of videos and activities which go into more detail on the meaning of Economics

<https://www.tutor2u.net/economics/reference/head-start-economics-introduction-to-macroeconomics>

# Research Task (Income Tax)

Anyone who is in work has to pay income tax. This money is used by the Government to pay for schools, hospitals etc.

Find out:

- 1) How much is the personal allowance?
- 2) What are the income tax thresholds?
- 3) Why do you think the rich pay more in income tax than the poorer members of society?
- 4) Work out how much tax would be paid by people earning the following amount of money (be careful, you only pay the higher rate of tax on every pound you earn **ABOVE** the threshold):
  - a) £15000; b) £32,500; c) £51,500; d) £75,000; e) £160,000

# Income Inequality

Income inequality has become more pronounced over recent years. Have a look at the video from below and then answer the following questions:

- 1) What are the main causes of increased income inequality in the UK?
- 2) What can the Government do to try to reduce income inequality?

<https://www.tutor2u.net/economics/blog/inequality-a-great-induction-topic-for-a2-economics>

# Tragedy of the Commons

- The “tragedy of the commons” is a metaphor used to illustrate the potential conflict between individual self-interests of producers and consumers and the common or public good.
- In the original version of the term, the example is used of a stock of common grazing land used by all livestock farmers in a small village. Each farmer keeps adding more livestock to graze on the Commons, because the marginal cost of doing so is zero. But because the commonly owned resource is then over-used or over-exploited, the result is a depletion of the soil and a fall in the value of the resource for all users. The resource may become irretrievably damaged. *We see this with the overfishing of the oceans and deforestation.* See the video below.
- <https://www.youtube.com/watch?v=xLx4fVsYdTI>

# Possible Remedies

- Although complex to design and implement, **government can grant property rights over scarce resources** in an attempt to protect them from opportunism, misuse, and over-use. According to Ronald Coase, allocating property rights will encourage the appointed owners to protect the resource by allowing the owners to sue those who exploit the resource. When applied to resources that are under attack from pollution, extending property rights will enable the owners to sue the polluters.
- For example, the National Rivers Authority, now part of the [Environment Agency](#), was created with powers to act 'as if' it owned the UK's rivers. This allowed it to police the rivers and sue polluters and opportunists, such as poachers. Once rights are allocated it may be possible to identify those individuals, firms or organisations that abuse or misuse the environment. Supporters of the extension of property rights see it a crucial to the formation and effective operation of markets.



# BREXIT

- On June 23rd 2016 the UK voted in a referendum to leave the European Union. The terms of the UK's new economic relationship with the EU remain uncertain.

## **UK Trade with the European Union**

- In 2015, the European Union accounted for 43.7 percent (223 billion British pounds) of UK goods and services exports, and 53.1 percent (291 billion British pounds) of UK imports, therefore making it the UK's largest and most important trade partner.
- Nearly a quarter of total UK overseas trade in goods and services is done with the United States and Germany. Seven of the top ten export markets for Britain are with European Union countries. This emphasises the importance of a trade agreement after Brexit.

Have a look at the 2 videos below and consider the reasons why Brexit happened and the possible consequences

- <https://youtu.be/XdleoyZrIWk>
- <https://youtu.be/IPaJQPZO-ZA>

# Transition Period

- From 31<sup>st</sup> January 2020 the UK went into a transition period during which time we are negotiating a trade deal with the UK. This is due to finish by the end of the year when we will formally leave the EU.

## Question

What are the potential opportunities and problems Brexit will pose for the UK economy? Try to come up with 3 of each

Finally have a look at the video below which gives an alternative perspective on why we voted to leave the EU

<https://www.youtube.com/watch?v=dcwuBo4PvE0>