

Welcome to the World of Economics!

Moving into Sixth Form at PHGS is an exciting time, and for many of you, it marks your first formal introduction to the fascinating subject of Economics. Don't worry if you've never studied it before – this document is designed to give you a basic understanding of what Economics is all about and some core concepts you'll encounter.

Economics is more than just about money; it's about **choices**. It's about how individuals, businesses, and governments make decisions when faced with scarcity.

What is Economics?

At its heart, Economics is the study of **scarcity** and its implications for the use of resources, production of goods and services, growth of production and welfare over time, and a great variety of other complex issues of vital concern to society.

Think about it:

- You have limited time in a day, but many things you want to do (scarcity of time).
- Your family has a limited income, but they want to buy many things (scarcity of money).
- A country has limited natural resources, but many needs to fulfil (scarcity of resources).

Because of scarcity, we have to make choices. Every choice has a consequence, and that's where economics comes in!

Core Concepts You'll Encounter

Here are some fundamental ideas that form the building blocks of economic understanding:

1. **Scarcity:** As mentioned above, this is the fundamental problem in economics. Our wants are virtually unlimited, but the resources available to satisfy those wants are limited. This is why choices are necessary.
2. **Opportunity Cost:** This is one of the most crucial concepts in economics. When you make a choice, you give up the opportunity to have the next best alternative.
 - **Example:** If you choose to spend an hour studying economics, the opportunity cost might be the hour you could have spent watching TV, playing sports, or working a part-time job. It's the value of the *next best* thing you sacrificed.
3. **Needs vs. Wants:**
 - **Needs:** Basic requirements for survival (e.g., food, water, shelter, clothing).
 - **Wants:** Desires that are not essential for survival but improve our quality of life (e.g., a new smartphone, a holiday, designer clothes).
Economic resources are used to satisfy both needs and wants.
4. **Factors of Production (Resources):** These are the inputs used in the production of goods and services. Economists typically categorise them into four types:
 - **Land:** All natural resources used to produce goods and services (e.g., land itself, minerals, water, forests).
 - **Labour:** The effort that a person devotes to a task for which they are paid (e.g., a teacher, a factory worker, a doctor).
 - **Capital:** Any human-made resource used to create other goods and services. This can be physical capital (e.g., machinery, buildings, tools) or human capital (e.g., education, skills, training).
 - **Enterprise (or Entrepreneurship):** The ability of individuals to combine the other factors of production to create new products or services, take risks, and innovate.

5. **Economic Questions:** Every society, regardless of its economic system, must answer these three fundamental questions:
 - **What to produce?** (What goods and services will be made?)
 - **How to produce?** (What methods and resources will be used?)
 - **For whom to produce?** (Who will consume the goods and services?)
6. **Economic Systems:** Different societies answer the economic questions in different ways, leading to various economic systems:
 - **Market Economy (Capitalism):** Decisions are made by individuals and businesses, driven by supply and demand, with minimal government intervention. Think of the UK and the USA as examples.
 - **Command Economy (Socialism/Communism):** Decisions are made by a central authority, typically the government. Historically, the Soviet Union is an example.
 - **Mixed Economy:** A blend of market and command elements, where most decisions are made by individuals and businesses, but the government also plays a significant role in regulating and providing public services. Most modern economies (including the UK) are mixed economies.
7. **Rational Economic Decision Making:** In economics, we often assume that individuals and firms make decisions rationally, meaning they weigh the costs and benefits of their choices to maximise their own self-interest (e.g., consumers maximise their satisfaction, firms maximise profits). While this is a simplification, it's a useful starting point for analysis.

Why Study Economics?

Studying Economics will help you:

- Understand the news and current affairs on a deeper level (e.g., inflation, unemployment, interest rates).
- Make better personal financial decisions.
- Develop critical thinking and analytical skills.
- Prepare for a wide range of university courses and careers (e.g., finance, business, government, journalism, law).

Getting Ready for Sixth Form Economics at PHGS

- **Read the News:** Pay attention to economic headlines and stories in reputable newspapers (online or print) like The Financial Times, The Economist, BBC News, or The Guardian.
- **Be Curious:** Ask "why?" when you see economic events unfolding around you.
- **Think Analytically:** Start to think about cause and effect. What are the potential consequences of certain decisions?
- **Don't Be Afraid to Ask Questions:** Your teachers are there to help!

We are excited to welcome you to the Business and Economics department and look forward to exploring these concepts and many more with you in the Sixth Form. Get ready to challenge your thinking and see the world through a new lens!

Next steps

Go to the following website and pick one of the chapters to read. Make notes on what you read and what you have understood. Be ready to discuss what you think in one of the first lessons.

http://christophe.heintz.free.fr/bqt/Freakonomics_A_Rogue_Economist_Explores_the_Hidden_Side_of_Everything_Revised_and_Expanded.pdf