### 1.1 Nature of Economics

#### 1.1.1 Economics as a social science

- I can explain: the process of developing models in economics, including the need to make assumptions
- I can explain the ceteris paribus assumption in building models
- I can justify the inability in economics to make scientific experiments

#### 1.1.2 Positive and normative economic statements

- I can make the distinction between positive and normative economic statements and apply this to given case studies
- I can identify the role of value judgements in influencing economic decision making and policy

#### 1.1.3 The economic problem

- I can explain the problem of scarcity – including where there are unlimited wants and finite resources
- I can make the distinction between renewable and non-renewable resources
- I can explain importance of opportunity costs to economic agents (consumers, producers and government)

#### 1.1.4 Production possibility frontiers

When you are revising use your workbooks, plus any class notes and any revision guides/videos to support you together with this PLC to ensure you have covered everything you need for the exam / this topic.
I can apply the use of production possibility frontiers to depict:

- the maximum productive potential of an economy
- opportunity cost (through marginal analysis)
- economic growth or decline
- efficient or inefficient allocation of resources
- possible and unobtainable production

I can make the distinction between movements along and shifts in production possibility curves, considering the possible causes for such changes

I can define with examples capital and consumer goods

1.1.5 Specialisation and the division of labour

I can define and analysis Specialisation and the division of labour: with reference to Adam Smith

I can explain the advantages and disadvantages of specialisation and the division of labour in organising production

I can explain the advantages and disadvantages of specialising in the production of goods and services to trade

I can explain and justify the functions of money (as a medium of exchange, a measure of value, a store of value, a method of deferred payment)

1.1.6 Free market economies, mixed economy and command economy.

I can make the distinction between free market, mixed and command
### Theme 1: Introduction to marks and market failure

<table>
<thead>
<tr>
<th>Economies: with reference to Adam Smith, Friedrich Hayek and Karl Marx</th>
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<tbody>
<tr>
<td>I can analyse free market economies and a command economy</td>
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<td>I can explain the role of the state in a mixed economy</td>
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#### 1.2 How markets work

##### 1.2.1 Rational decision making

I can explain the underlying assumptions of rational economic decision making including:
- consumers aim to maximise utility
- firms aim to maximise profits

##### 1.2.2 Demand

I can make the distinction between movements along a demand curve and shifts of a demand curve

I can explain the factors that may cause a shift in the demand curve (the conditions of demand)

I can explain the concept of diminishing marginal utility and how this influences the shape of the demand curve

##### 1.2.3 Price, income and cross elasticities of demand

I can define price, income and cross elasticities of demand

I can use formulae to calculate price, income and cross elasticities of demand

I can interpret numerical values of...
### Economics @ Appleton - Personal Learning Checklist (PLC)

#### Theme 1: Introduction to marks and market failure

#### Price Elasticity of Demand
- **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

I can explain factors influencing elasticities of demand

I can explain 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

I can explain the relationship between price elasticity of demand and total revenue (including calculation)

#### 1.2.4 Supply

I can make a distinction between movements along a supply curve and shifts of a supply curve

I can explain factors that may cause a shift in the supply curve (the conditions of supply)

#### 1.2.5 Elasticity of supply

I understand why price elasticity of supply is used

I can use formula to calculate price elasticity of supply

I can interpret numerical values of price elasticity of supply: perfectly and relatively elastic, and perfectly and relatively inelastic

I can identify factors that influence price elasticity of supply
<p>| I can distinguish between short run and long run in economics and its significance for elasticity of supply |
| 1.2.6 Price determination |
| I can identify the equilibrium price and quantity and how they are determined |
| I can draw supply and demand diagrams to depict excess supply and excess demand |
| I can explain the operation of market forces to eliminate excess demand and excess supply |
| I can draw supply and demand diagrams to show how shifts in demand and supply curves cause the equilibrium price and quantity to change in real-world situations |
| I can Highlight how equilibrium price and quantity changes will depend upon: |
| • how much a demand or supply curve shifts in a given situation |
| 1.2.7 Price mechanism |
| I can explain functions of the price mechanism to allocate resources: |
| • rationing |
| • incentive |
| • signalling |
| I can apply the price mechanism in the context of different types of markets, including local, national and global markets |
| 1.2.8 Consumer and producer surplus |
| I can identify between consumer and producer surplus |
| I can use supply and demand diagrams to illustrate consumer and producer surplus |</p>
<table>
<thead>
<tr>
<th>I can explain how changes in supply and demand might affect consumer and producer surplus</th>
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<tr>
<td><strong>1.2.9 Indirect taxes and subsidies</strong></td>
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<tr>
<td>I can analysis Supply and demand diagrams, elasticities, and:</td>
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<tr>
<td>• the impact of indirect taxes on consumers, producers and government</td>
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<td>• the incidence of indirect taxes on consumers and producers</td>
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<td>• the area that represents the producer subsidy and consumer subsidy</td>
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<td><strong>1.3 Market failure</strong></td>
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<tr>
<td><strong>1.3.1 Types of market failure</strong></td>
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<tr>
<td>I have an understanding of market failure and what is means</td>
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<td>I can explain types of market failure (quick introduction):</td>
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<tr>
<td>• externalities</td>
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<td>• under-provision of public goods</td>
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<td>information gaps</td>
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<td><strong>1.3.2 Externalities</strong></td>
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<td>I can make a distinction between private costs, external costs and social costs</td>
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<tr>
<td>I can explain private benefits, external benefits and social benefits</td>
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<tr>
<td>I can use a diagram to illustrate:</td>
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### Theme 1: Introduction to marks and market failure

- the external costs of production using marginal analysis
- the distinction between market equilibrium and social optimum position
- identification of welfare loss area

I can use 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

The impact on economic agents of externalities and government intervention in various markets.

#### 1.3.3 Public goods

- I can make a distinction between public and private goods using the concepts of non-rivalry and non-excludability
- I can explain why public goods may not be provided by the private sector: the free rider problem

#### 1.3.4 Information gaps

- I can make a distinction between symmetric and asymmetric information
- I can explain how imperfect market information may lead to a misallocation of resources

#### 1.4 Government intervention

- I can explain the purpose of intervention with reference to market failure and using diagrams in various contexts:
### Theme 1: Introduction to marks and market failure

- **indirect taxation (ad valorem and specific)**
- subsidies
- maximum and minimum prices

I can identify other methods of government intervention:
- trade pollution permits
- state provision of public goods
- provision of information
- regulation

#### 1.4.2 Government failure

I have an understanding of government failure as intervention that results in a net welfare loss

I can explain the main causes of government failure:
- distortion of price signals
- unintended consequences
- excessive administrative costs
- information gaps

I can use examples of Government failure in various markets

### Targets / Next Steps: