# Year 12 A Level Economics Summer 2025 Holiday HW

Time: **6-7 hours mandatory (*additional 2 optional hours)**

1 hour of Y12 Micro UpLearn

1 hour of Y12 Macro UpLearn

1 micro exam question (Y12)

1 macro exam question (Y12)

Tutor2u Knowledge book- Production, Costs and Revenue

UpLearn- Profit+ Technology

*Optional: Watch "The Big Short", available on the following platforms:

Plex (Free): https://watch.plex.tv/en-GB/watch/movie/the-big-short?utm_content=5d776b679ab544002150af34&utm_medium=deeplink&utm_source=google-catalog

Netflix and Amazon Prime

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Spend one hour each on UpLearn for both Y12 Micro and Y12 Macro and revise some key topics.

Think back to your PPE's, what did you struggle with? What have you forgotten? Do you have any gaps in your knowledge with any topics?

Below I have included some suggested areas I think that we as a year group may struggle with.

Micro:

Market Failure & Government Intervention

- Market Failure Introduction (Y12)
- Negative Externalities (Y12)
- Positive Externalities (Y12)
- Public Goods
- Information Gaps
- Merit & Demerit Goods
- Monopoly Power
- Factor Immobility

Price Elasticity of Supply (PES)

Income Elasticity of Demand (YED)

Cross Elasticity of Demand (XED)

Macro:

## Government Objectives

- Inflation/Deflation
- Problems Measuring Inflation
- Effects of Inflation
- Growth
- Unemployment
- Balance of Payments
- Public Finances
- Inequality
- Environment

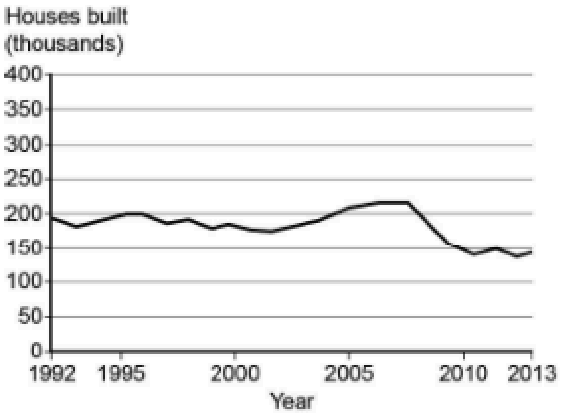
- Fiscal Policy
- Monetary Policy
- Supply Side Policy

**Y12 Micro Exam Question:**

## THE UK HOUSING MARKET

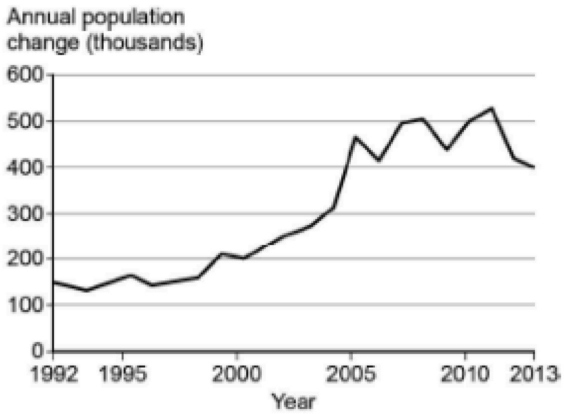
### Extract A:

**New houses built per year, UK, 1992 to 2013**




Source: ONS, DCLG Live table 209, September 2014

**Estimates of annual changes in the UK population, 1992 to 2013**




Source: ONS, NRS, NISRA, June 2014

### Extract B: A market working well?

House prices are increasing again in the UK. Demand is increasing due to a growing number of one-person households, rising immigration and various government initiatives such as the 'Help to Buy' scheme for first time buyers. When this is combined with a price inelastic supply of houses it means prices rise, sometimes significantly, to eliminate the excess demand. In the long run, with the incentive of higher profits, supply should increase as new building firms are encouraged to enter the market, although recent evidence suggests that larger firms account for a greater percentage of new house building. Recent reductions in planning regulations should also help the market respond to excess demand. Additionally, with ever-growing use of the internet, there is greater price transparency, leading to more information for buyers and sellers, even between regions. However, the housing market is not a perfectly competitive market.

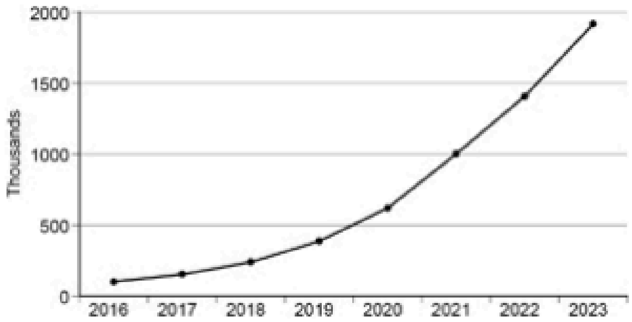
Source: news reports, 2014

**The UK Housing Market Extract B** (lines 10 and 11) states 'However, the housing market is not a perfectly competitive market.'

Explain why the housing market is not a perfectly competitive market.

### Extract D: Annual worldwide sales of commercial drones, 2016–2023 and near misses between drones and planes in the UK, 2014–2018

#### (i) Annual worldwide sales of commercial drones, actual and projected, 2016−2023




Annual worldwide sales of commercial drones, actual and projected, 2016-2023 © Statista

#### (ii) Near misses between drones and planes in the UK, 2014−2018

| Year | Near misses |
|---|---|
| 2014 | 9 |
| 2015 | 29 |
| 2016 | 71 |
| 2017 | 93 |
| 2018 | 125 |

Near misses between drones and planes in the UK, 2014-2018 © Statista

### Extract E: The rise of the drone

A drone or unmanned aerial vehicle (UAV) is a small flying device with no pilot on board but controlled by a computer or smartphone app. It usually carries a camera to take pictures or videos from the air. The use of drones has increased considerably over the last 15 years and is predicted to grow rapidly as technological developments enable them to be used for a wider variety of purposes.

The current civilian drones have benefited from considerable research and development over time for their use in military operations. They are now widely used by businesses and for leisure purposes, as well as by governments. Drones can reach remote areas quickly and easily, saving on labour and other costs. Their uses include: in agriculture, to manage crops and animals; in construction, for inspecting buildings and infrastructure; for weather predictions; and to help deal with natural or other disasters.

Drones are increasingly being used to deliver goods. For example, Amazon has been experimenting with using drones to deliver packages over short distances.

Source: News reports, December 2020

## Extract F: Opportunity or threat?

Although there is the initial cost of the equipment, drones increase productivity. This reduces the need for other factors of production, and so reduces total costs. Drones therefore help firms gain a competitive advantage, adding to profits.

Drones can also help humanitarian organisations carry out their work more effectively. One important application is healthcare. In 2016, Rwanda became the first country to use drones to deliver blood and medical supplies to remote areas. In the next three years, more than 10 000 packages were delivered. Drones have recently been trialled to deliver medical and other supplies to islands off the west coast of Scotland.

One UK firm has developed drones to carry food and water to areas suffering from war or natural disasters. The total cost of a delivery consists of £150 for the drone and another £350 to carry out the whole operation. The drone carries food weighing 110 pounds (50 kilos), enough for 50 people for a day.

Could drones be another example of technical progress improving the lives of many and enabling a wide variety of businesses to work more efficiently? They are, however, not without their critics. Their external costs must be considered. In December 2018, a thousand flights were cancelled when drones were seen flying near Gatwick airport. This cost the industry an estimated £50 million. With more machines in the air, the number of near misses with planes is increasing. There are also concerns about what the drones are photographing and the buzzing noise they make.

Regulations vary, and in some countries, drone flying is banned. In 2016, the UK Civil Aviation Authority (CAA) issued new laws and guidelines. This 'Dronecode' lays down what you can and cannot do, with operators required to take an online test for larger drones and fines for misuse. The UK laws are now in line with many other countries but if drones become more common, another review may be needed of what is best for all.

**Extract F** (lines 23–24) states: 'if drones become more common, another review may be needed of what is best for all'.

Use the extracts and your knowledge of economics to assess whether governments should encourage, discourage or do nothing more to affect the use of drones.

**[25 marks]**

### Extract F: Why is levelling up so important?

Unless the UK Government provides additional support, the outlook for some poorer regions may be gloomy. They often suffer from structural unemployment, low consumption and a lack of investment. The impact of the multiplier process can cause even greater decline and inequality. Poor health and low levels of literacy are also more likely to exist in poor regions.

As part of its long-term plan, the government has 12 levelling-up 'missions' or objectives. These include raising pay, employment and productivity throughout the UK; increasing education spending in the most disadvantaged areas; and increasing the number of people completing high-quality skills training. In addition, the government intends to raise the quality and quantity of public transport to match that found in London, and overall, improve 'well-being' in every part of the UK.

The benefits could be significant. For example, improving productivity is likely to lead to rising real wages, increased consumption, falling unemployment and improving international competitiveness. More confidence in the economy should encourage more investment, which is likely to lead to greater economic growth.

Success relies heavily on the effectiveness of supply-side policies. But the responsibility does not rest solely with the government. By creating incentives, it can work effectively alongside firms in the private sector. If the poorer regions become richer, levelling-up may be achieved.

Source: News reports, February 2023

**Extract F** (lines 1–2) states: 'Unless the UK Government provides additional support, the outlook for some poorer regions may be gloomy. They often suffer from structural unemployment'.

Explain why some regions of the UK suffer from structural unemployment.

**[10 marks]**

**Extract B: The UK's productivity puzzle**

The economist Paul Krugman once wrote that "Productivity isn't everything, but, in the long-run, it is almost everything". Productivity is a key determinant of living standards because it affects the amount of goods and services that can be produced, and therefore consumed, from the resources that are available. Historically, productivity has increased over time, which has contributed to real wage rises and improved living standards. Although productivity can be measured in several different ways, one common way is GDP per hour worked.

When economies move through their economic cycles, it is not unusual for productivity to fall during downturns, as happened in 2008–2009. However, the persistently low rate of growth of productivity that the UK has experienced since 2010 is unusual. Productivity growth in other nations, including Estonia and Hungary, has been much higher. The UK's low rate of productivity growth is often referred to as 'The UK's productivity puzzle'. If the pre-2007 trend in productivity growth had continued, UK productivity would now be over 30% higher than it is today.

Many economists have tried to provide reasons for the productivity puzzle. Among the suggestions are low levels of investment and the impact of the financial crisis on banks' willingness to lend to new businesses. More people working beyond normal retirement age has led to an older workforce and may have affected productivity. These factors may be relevant but they do not provide a complete explanation for the weakness in UK productivity growth.

So, what can be done to raise productivity? Investing in human capital to improve people's skills and supporting improvements in technology should help. Creating a stable economy and effective use of the tax and benefits system are also key factors in driving productivity growth.

Source: News reports, 2022

**Extract B** (lines 4–5) states: 'Historically, productivity has increased over time, which has contributed to real wage rises and improved living standards.'

Using the data in the extracts and your knowledge of economics, assess the view that the government should make raising productivity a priority in order to improve living standards in the UK.

**[25 marks]**

Tutor2u Knowledge book- Production, Costs and Revenue & Perfect Competition

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UpLearn- Profit+ Technology

Profit

Technology

Technological Change

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The Big Short: Answer the following questions while watching the film

### 🏠 1. Subprime Lending & Asymmetric Information

⏱️ 00:10 – 00:14

*Scene: Dr. Michael Burry starts investigating mortgage-backed securities (MBS).*

Question:
Why does Dr. Burry become concerned about the quality of subprime mortgages? What does this reveal about asymmetric information in financial markets?

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## 💣 2. Market Failure & Moral Hazard

⏱️ 00:22 – 00:26

*Scene: The narrator explains mortgage bonds and how the financial system repackages risky loans.*

**Question:**
**Who is bearing the risk, and who is profiting?**

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## 💳 3. Credit Rating Agencies & Regulatory Capture

⏱️ 00:49 – 00:52

*Scene: Mark Baum's team visits Standard & Poor's (the credit rating agency).*

**Question:**
**Why do the rating agencies continue giving AAA ratings to risky securities? What does this suggest about regulatory failure and incentive structures in the financial system?**

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## 📉 4. Behavioural Economics – Herd Mentality

⏱️ 01:01 – 01:04

*Scene: Baum attends a mortgage conference in Las Vegas and realises few people understand the risk.*

**Question:**
**What behavioural economics concepts are evident in this scene (e.g. herd behaviour, overconfidence, confirmation bias)? How did they contribute to the bubble?**

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## 💥 5. Collapse of the Housing Market

⏱️ 01:14 – 01:18

*Scene: Mortgage defaults rise sharply, and the market starts to react.*

**Question:**
What macroeconomic warning signs begin to appear here? Why does it take time for the market to react, despite obvious issues?

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## 🏦 6. Systemic Risk & Too Big to Fail

⏱️ 01:35 – 01:39

*Scene: Panic as large financial institutions begin to fall.*

**Question:**
What is meant by "too big to fail"? How does this concept relate to systemic risk and the need for government intervention?

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## 📉 7. Economic Consequences

⏱️ 01:51 – 01:55

*Scene: The aftermath — foreclosures, job losses, and global shock.*

**Question:**
How does this scene illustrate the macroeconomic impact of the crisis (e.g. unemployment, GDP contraction)? How were ordinary people affected?

## 🧑‍⚖️ 8. Policy Response and Ethics

### ⏱️ 02:00 – 02:05

> *Scene: The film's conclusion — reflections on the bailout and accountability.*

**Question:**
**Was the government right to bail out the banks? What economic and ethical arguments are there for and against this action?**