**Economics 1 Lesson 1: What is Economics?**

**Economics:**

Economics is a large discipline (or area of study) with so many different branches and areas within it, therefore it is hard to pinpoint exactly what it is in just one short sentence; however, at its core it is the study of **scarcity**, or how things which are not unlimited (money, gold, oil, water etc!) are allocated or shared out. It is much more than that, but every major theory of economics, the big economic decisions, and what most people refer to when they talk about the economies of different countries, is about wealth, resources and how that is distributed.

**Brief History:**

What we now call Economics was greatly influenced by the thinking and writing of Adam Smith in the 1700’s. He was educated at Glasgow University, and later taught there, and his book, *An Inquiry into the Nature and Causes of the Wealth of Nations* is still regarded as perhaps the most important economic book of all time. The Business School at Glasgow University is called the Adam Smith Building in his honour, and he is a highly regarded figure around the world.

Smith’s title as “The Father of Economics” comes from the influence of some of his most well known conclusions. He stated that people acted in their own interests rather than for the benefit of everyone (people are out to make their own living and feed their own families), but that there was an “invisible hand” which meant that people trading for their own benefit would often benefit the whole of society – something which is still built in to the study of economics today. Politicians often talk about **economic growth**, and about increasing trade to grow the economy for everyone, indeed throughout the 20th century, and still today, economic growth has been one of the main targets of most governments around the world, though there are debates about whether it should be.

Smith’s ideas on the economy, and those of people who have built on his work, tend to be called **classical economics**, and with a couple of centuries of additions and amendments they remain the main model of economic thinking used around the majority of the world. There are, however, some fairly major examples of alternative ways of thinking about economics, one of which is **communism**. Whilst communism will be explored in greater detail later in this unit, the work of Karl Marx, who created this theory of economics, has had a dramatic impact on the history of economics and of the world. The Korean War, Vietnam War, Cold War, revolutions in China and Cuba and much of the history of Eastern Europe are influenced heavily by Communism, an economic theory which challenged the dominance of classical economics throughout the 20th century.

**Main Branches:**

There are different ways to look at economics, but most people would accept that it can be split into two branches; Macroeconomics and Microeconomics.

Macro means the whole of something, so **macroeconomics** is concerned with the whole economy, or how things will influence the economy overall. Micro refers to the smallest or lowest level, so **microeconomics** is generally about individual people or companies, and how decisions impact individuals rather than the whole system. Any study of economics needs to be concerned with both, as the overall system will influence the lives of everyone within it, but it can be helpful to split them up and look at them separately when trying to pick apart how the economy works.

In the first part of this week’s task, you are asked to read two articles about the impact of coronavirus on the economy. From those articles you are required to make notes on the macroeconomic impact (whole economy) and the microeconomic impact (impact on individuals).

**Economics Around Us:**

Economics impacts our lives every single day in many different ways. Without necessarily knowing it, many of the decisions you make are influenced by things that economists study. Economists look at the cost of making one decision over another, such as going to university and it being expensive versus going straight from school to get a job, we know that over your lifetime having a degree will benefit you more than taking a low paid job at 16, even if you would be better off at the time. Economists study what motivates people to act in certain ways, the cost of things that we don’t actually pay for such as pollution by factories, and even why the third cheeseburger never tastes as good as the first, even if you were really hungry. These all have economic theories behind them, which you may explore further later in the unit, but safe to say that economics has a huge influence on your life already, and choosing to learn about it may just help you to better understand the world in which we live. For the second part of this week’s task you will read a short article by a teacher about some of the economic questions his students wrote about based on their everyday lives, which you will make short notes on.

**Economics 1 Task 1: What is Economics?**

Please complete this week’s task as a word document and return it as an attachment on teams. The document title should be PUPIL NAME Economics week 1.

**Part A:**

You learned about the difference between macroeconomics and microeconomics. Using the two articles linked below, take the heading **Macroeconomic Impact of Coronavirus** and under it make notes on the macroeconomic impact of coronavirus based on what you have read, then **do the same for microeconomics**. You should write a good sized paragraph for each of them.

Article 1: <https://www.bbc.co.uk/news/business-51706225>

Article 2: <https://www.theguardian.com/business/2020/mar/11/uk-small-businesses-impact-coronavirus-sick-pay>

**Part B:**

Economics impacts every day of our lives because it impacts every industry and many of the decisions that are made by politicians. Read the article below, in which a teacher shares some of the best economic questions that students have studied. Under the heading **Everyday Economics** write a paragraph summarising what the article was about.

<https://www.nytimes.com/2013/05/12/business/students-ponder-the-economics-of-everyday-life.html>

**Part C:**

Finally, you will have noticed that some concepts or words in the written lesson (before the task) were in bold. This part of the task is optional, but you may wish to keep a glossary of these key terms, which you can add to throughout the unit. This will mean that after 6 weeks you will have a good-sized glossary of some key economic terms that you may build on in the future. Some of these will be in the mid-unit knowledge check at the end of week 3.

**Next Time:**

In the next lesson we will build on your knowledge of what economics is to look more closely at what we mean by economies, how we measure them and to look in more detail at the idea of economic growth.

**Further Reading:**

If, after doing the task for this week, you want to know more about the anticipated impact of coronavirus on the economy, this video from the Economist Magazine is a useful starting point - <https://www.youtube.com/watch?v=wUUWoN4LKuE>. For a good and very easy to read introduction to how economics can help us to understand a whole range of different issues I highly recommend the book *Freakonomics*, and the (completely free) podcast that this book has spawned *Freakonomics Radio* – the podcast can get a bit technical at times, but has some very interesting ideas! (you can find the podcast on its own website or through Apple, Spotify and podcast websites like Podbean).