

economics

3.1

the market and allocative efficiency



tips ⁴ learning

(WHY YOUR BRAIN IS NOT A BUCKET)

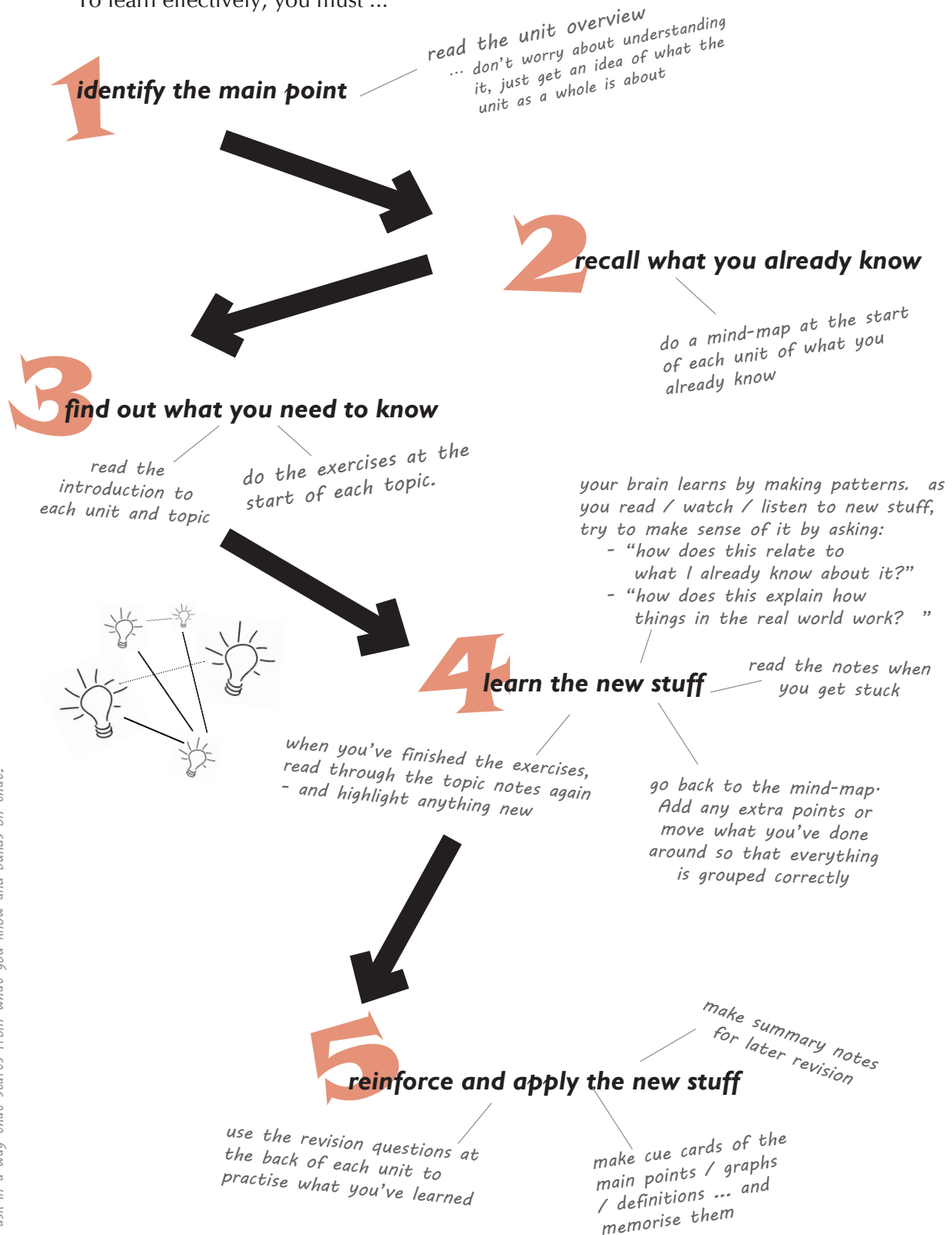
This book chunks the content into units and topics. Don't start trying to learn the stuff in each unit or topic by reading the notes. That's the worst way to learn.

Many students think their brain is a bucket ... i.e. if they 'tip' stuff into it by reading notes, listening to lectures, watching podcasts, etc ... they'll learn. You won't.

Your brain is not a bucket.



To learn effectively, you must ...



ASKING QUESTIONS

When you get stuck ask questions, but ask SMART questions. Don't ask "I don't understand. Can you please explain?". That's a 'bucket' question, i.e. you're asking for facts to fill your head.

Instead ask "I understand this part. Can you please explain how that part relates to it?" Always ask in a way that starts from what you know and builds on that.

this book belongs to: _____

Level 3 Economics

The Market and Allocative Efficiency
(AS 91399)

WORKBOOK

By Richard Dykes

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3.1

WE NEED YOU



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You can make it better.

Can you ...

- offer better activities?
- correct or improve the notes?
- write model answers?
- create supporting digital resources?
(e.g. podcasts, screencasts, iphone apps)
- convert the material into different media?
(e.g. digital books, OneNote files, etc)

Help achieve the vision of a true multimedia resource for learning economics. Contact me if you can help in any way. All contributions will be fully acknowledged.

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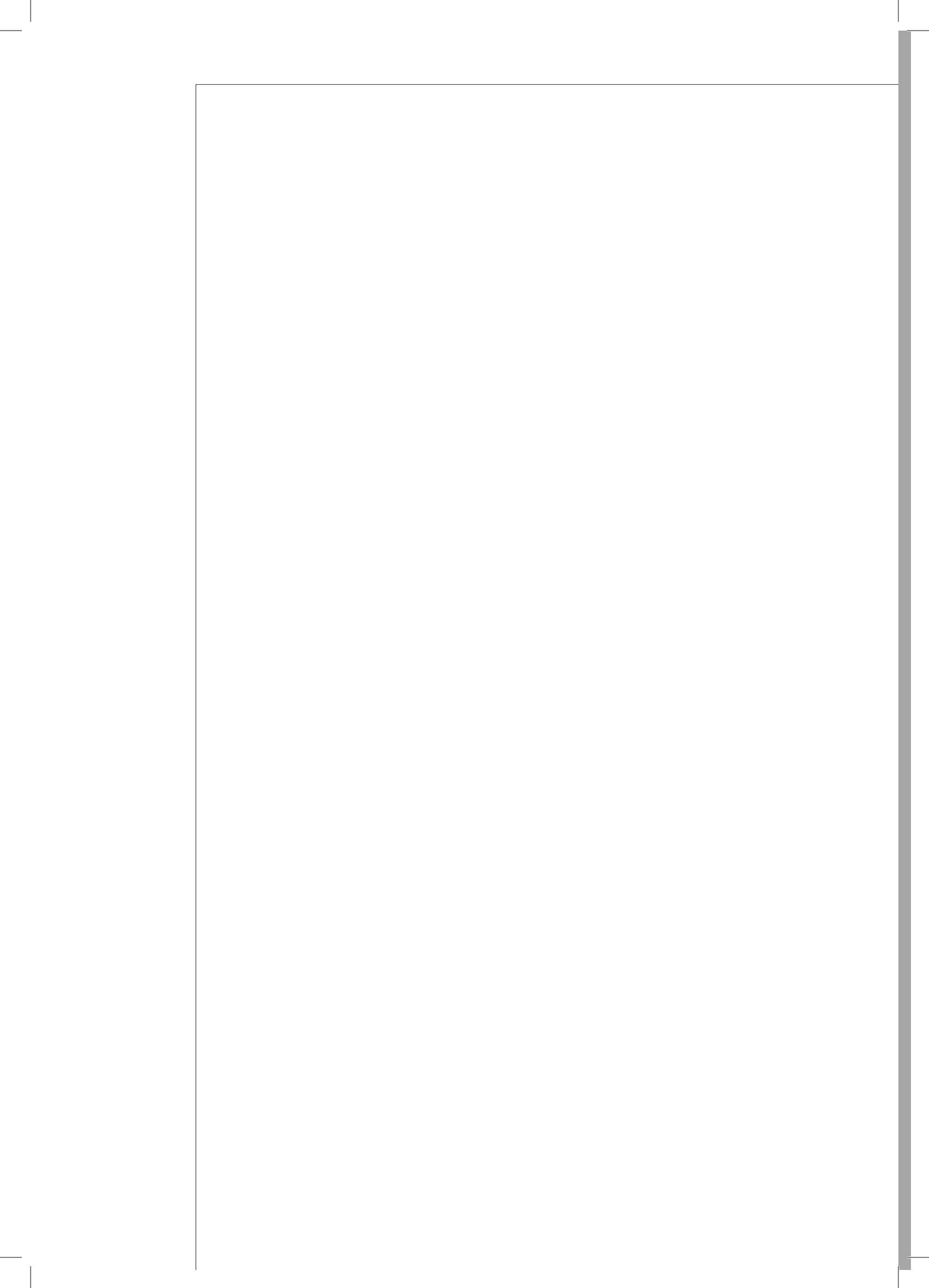
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overview of standard

This standard looks at how **markets** resolve **the economic problem** by achieving **allocative efficiency**.

It looks at how **market forces**, i.e. supply and demand, interact in individual markets to produce the goods or services that consumers demand.

It analyses four ways in which the **government** may **intervene** in a market (international trade, sales taxes, subsidies and fixed prices) and how these impact on the allocative efficiency of a market.

BY THE END OF THIS STANDARD YOU SHOULD BE ABLE TO ANSWER THE FOLLOWING QUESTIONS...

1 what is allocative efficiency and how does a market achieve it?

markets & allocative efficiency

2 how does government intervention affect markets and allocative efficiency?

Economics 3.1 Demonstrate understanding of the efficiency of market equilibrium

Achievement Criteria:

Achievement

- Demonstrate understanding of the efficiency of market equilibrium.

Achievement with Merit

- Demonstrate **in-depth** understanding of the efficiency of market equilibrium.

Achievement with Excellence

- Demonstrate **comprehensive** understanding of the efficiency of market equilibrium

Explanation of Achievement Criteria:

Achievement ... demonstrating understanding involves:

- providing an explanation of
 - market equilibrium and/or changes in market equilibrium
 - efficiency in the market
- using an economic model(s) to illustrate concepts relating to the efficiency of market equilibrium

Achievement with Merit ... demonstrating in-depth understanding involves:

- providing a **detailed** explanation of
 - market equilibrium and/or changes in market equilibrium
 - efficiency in the market
- using an economic model(s) to **illustrate concepts and/or support detailed explanations** relating to the efficiency of market equilibrium

Achievement with Excellence ... demonstrating comprehensive understanding involves:

- analysing the impact of a change in a market on efficiency by **comparing and/or contrasting the different impacts on participants** (i.e. consumer, producer and, where appropriate, government) in that market.
- integrating an economic model(s) into explanations relating to the efficiency of market equilibrium that compare and contrast the different impacts.

Other Explanatory Notes:

Efficiency refers to allocative efficiency of market equilibrium which occurs when the sum of consumer and producer surpluses are maximised (so 'total surpluses' are maximised). This includes recognising that deadweight loss indicates a market is allocatively inefficient.

Market equilibrium includes:

- market equilibrium as a result of the operation of market forces; or
- impact of changes on markets, including the impact on consumer surplus, producer surplus, and total surpluses. This typically includes changes in international trade markets and/or changes imposed on market equilibrium by government.