

Economics A Level – Preparatory Work 2026

Task 1: Watch the first two videos on the classic essay 'I pencil' and then answer the following multiple choice questions.

Task 2: Watch the third video on 'creative destruction and the law of innovating large firms' and answer the longer written questions using everything you have learned so far.

1. [I, Pencil - Leonard E. Read | Animated version of great essay – YouTube](#)
2. [I, Pencil Extended Commentary: Creative Destruction - YouTube](#)
3. [Creative Destruction & The Law of Innovating Large Firms – YouTube](#)

Task 1 (use video 1 and 2): answer these multiple choice questions by circling which you think is the correct answer.

1. When two parties trade voluntarily, who “wins” and who “loses”?
 - a. The buyer wins and the seller loses
 - b. The seller wins and the buyer loses
 - c. Both lose
 - d. Both win
 - e. None of the above
2. Prices, profits, and losses:
 - a. Enable rational economic calculation and guide entrepreneurial discovery
 - b. Exploit the providers of labour and enrich the owners of capital
 - c. Are nice to have if we produce efficiently but are ultimately unnecessary
 - d. Can be harnessed by central planners to guide rational production
3. When a firm earns a loss, it is:
 - a. Wasting resources
 - b. Using resources wisely
 - c. Revealing an error by consumers
 - d. In need of a subsidy
 - e. None of the above
4. The knowledge necessary to make a pencil can be known by:

- a. A knowledgeable central planner
 - b. The CEO of the pencil company
 - c. A very good economist
 - d. The President
 - e. No one
5. In a free market, you are cooperating with:
- a. Only those immediately around you
 - b. The person who buys what you're selling
 - c. The person who sells what you're buying
 - d. Practically everyone in the world

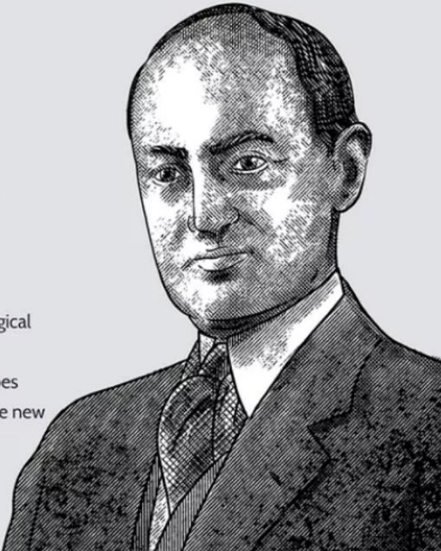
Task 2: use video 3 above.

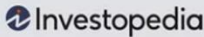
Joseph Schumpeter

Born: February 8, 1883
Died: January 8, 1950

Economist and Economist Historian

- Best known for his 1942 book "Capitalism, Socialism, and Democracy," the theory of creative destruction, and for offering the first German and English references to methodological individualism in economics
- Creative destruction, a term he coined, describes how the old is constantly being replaced by the new



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Answer these questions in your own words, do not use any AI to help you as you will need to be ready to discuss these questions in class. Your answers don't have to be perfect, they just need to show that you have thought about the questions! Use additional paper if you need to. Try not to write more than two sides in total.

1. Explain what is meant by “Creative Destruction”
2. Briefly explain 3 examples of Creative Destruction
3. Explain Schumpeter’s Theory of Creative Destruction, with reference to the railways. Who benefited from the railroads, and what industries suffered?
4. With reference to print newspapers and the internet, explain the theory of Creative Destruction.
5. Based on your own research, find further examples of Creative Destruction. Give 3 examples of firms / industries that have benefited and 3 examples of firms / industries that have suffered as a result.
6. How does the UK economy as a whole benefit from Creative Destruction? What firms / industries do you think will benefit / suffer from growth in Artificial Intelligence (AI)?