

Edexcel Advanced Subsidiary GCE in Economics

First examination June 2001

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SECTION 1 – INTRODUCING THE NEW SPECIFICATION

Introduction to the Curriculum 2000 Teachers' Guide

The production of this Teachers' Guide replicates what appeared in August 1994 when a new syllabus was last introduced. Many teachers have commented how helpful they found the material in that earlier guide in preparing themselves for teaching new areas of subject content and making their students fully aware of the changes in examination assessment. We have pursued very much the same approach as in 1994 but, given the fundamental replacement of a linear syllabus by one structured into six units of content and assessment, we are highlighting this time the schemes of work providing different ways of delivering the new specification. These schemes of work provide teachers with a number of alternative ways of covering the subject content for both the new AS and A2 examinations.

It is the intention that this guide will have subsequent updates provided in various forms e.g., revised reading lists and reports issued at teachers' conferences. Each Edexcel centre that is preparing candidates for the new examinations in 2001 and 2002 will receive one copy of this guide free of charge. Further copies are available upon application to Edexcel Publications at a cost of £5.50 plus Postage and Packing.

July 2000

The New Specification: A Perspective

Peter Maunder

The 1994 Briefing Guide began by indicating how the then new syllabus had to conform to the *Subject Core for Economics* issued by the School Curriculum and Assessment Authority (SCAA). That syllabus incorporated a core and options model with, for the first time, a choice of two options, Product and Labour Markets or Economic Development. To help those adopting the new syllabus, the briefing guide reproduced the Subject Core to show how the syllabus put more emphasis on some parts of that core.

This new Guide again emphasizes to teachers how the new specification relates to a document published by the current 'regulator' for the industry, the Qualifications and Curriculum Authority (QCA). The relevant document is the *Subject Criteria for Economics* published in 1998. In particular, whereas in 1994 the Board had considerable flexibility in how it proposed to incorporate the then *Subject Core*, in 1999 Edexcel was explicitly required to meet several requirements. The main constraints that needed to be met were:

- (a) to arrange the subject content into six units where the assessment of each unit was weighted between 15% and 20%.
- (b) to arrange that subject content with a 50:50 weighting for a one year course of study (AS) and for a further one year course of study (A2).
- (c) to ensure that a least 20% synoptic assessment was included at the end of the second year of the A2 course.

Moreover, in the determination of subject content, the new *Subject Criteria* required examination boards to include two themes within both the AS and A2:

- ◆ economic choices and markets;
- ◆ the national and international economy.

The *Subject Criteria* document is reproduced below since it shows how Edexcel had to satisfy all these minimum requirements concerning both of these themes relating to microeconomics and macroeconomics.

In meeting these new requirements, Edexcel submitted its proposals which aimed to satisfy what were considered vital aspects of its approach to the study and examination of economics. In short these were:

- ◆ a continuing need to emphasize the relevance of economics to real world issues.
- ◆ a belief in the continuing relevance of well-established assessment techniques.
- ◆ an enthusiasm that students should have considerable choice of questions such that they can reveal what they know and thus be appropriately assessed.

QCA approved both the specification and specimen papers which incorporated all of these principles. The major difference in content between the 9120 syllabus and the new 9121 A2 specification is that the two options forming Unit 5 are now called Labour Markets and Economic Development. In the former case there is no longer any of the product market material that has been part of Product and Labour Markets. Most of the product market content now appears in Unit 4 - Industrial Economics. The Unit 5A Labour Markets content now incorporates wholly new material relating to aspects of inequality.

In terms of assessment, the AS/A2 specification retains the use of structured essays and data response questions. The stimulus question format used in the 9120 option papers has been retained but with a choice of topics instead of a compulsory single question. Multiple choice questions have been retained but in both Units 1 and 4 candidates are now required to justify their chosen key. This 'innovation' brings the use of 'supported' choice questions in examinations into line with how such questions are used in classroom teaching. This new briefing guide includes some illustrations of how Edexcel will mark responses to the ten supported choice questions in both Units 1 and 4.

The new specification does not include a component based on internal assessment.

GCE ADVANCED SUBSIDIARY (AS) AND ADVANCED (A) LEVEL SPECIFICATIONS**SUBJECT CRITERIA
FOR
ECONOMICS****1. Introduction**

- 1.1 AS and A level subject criteria set out the knowledge, understanding, skills and assessment objectives common to all AS and A level specifications in a given subject. They provide the framework within which the awarding body creates the detail of the specification.

Subject criteria are intended to:

- help ensure consistent and comparable standards in the same subject across the awarding bodies;
- define the relationship between the AS and A level specifications, with the AS as a subset of the A level;
- ensure that the rigour of A level is maintained;
- help higher education institutions and employers know what has been studied and assessed.

Any specification which contains significant elements of the subject Economics must be consistent with the relevant parts of these subject criteria.

2. Aims

- 2.1 AS and A level specifications in Economics should encourage students to:
- develop an understanding of economic concepts and theories through a critical consideration of current economic issues, problems and institutions that affect everyday life;
 - apply economic concepts and theories in a range of contexts and to appreciate their value and limitations in explaining real-world phenomena;
 - analyse, explain and evaluate the strengths and weaknesses of the market economy and the role of government within it.

3. Specification Content

- 3.1 There are no prior knowledge requirements for AS and A level specifications in Economics.

3.2 AS and A level specifications in Economics should:

- provide a coherent combination of micro and macro content and methods of enquiry;
- allow students to explore a range of economic issues and to draw on data from local, national and international sources;
- develop a critical approach to economic models and methods of enquiry.

AS specifications will require the use of basic models to explore current economic behaviour, whilst A level specifications will require the use and evaluation of more complex modelling and its application to a wider range of contexts.

Knowledge, Understanding and Skills

3.3 The knowledge and understanding is set out in a two-column format. The essential knowledge and understanding is set out on the left-hand side of the page together with a commentary, where appropriate, on the right-hand side of each section. A preface to each section sets out how expected progression in students' knowledge, understanding and skills should be reflected in AS and A level specifications.

3.4 AS and A level specifications should require students to study:

- Economic choices and markets
- The national and international economy.

3.4.1 Economic choices and markets

The emphasis should be on the market model of resource allocation. Students should understand the economic behaviour of consumers, producers and governments in competitive and non-competitive markets. The impact of technological innovation, environmental change, globalisation and of better informed consumers on present and future economic behaviour should be considered.

AS students should be aware of the assumptions of the market model and be able to use it, for example to explore the impact of a new product and new supplier in a competitive market. They should be able to analyse the implications for consumers and government of a market dominated by one supplier.

In addition, A level students should be able to evaluate economic models as represented in written, numerical and graphical forms. They should be able to use and evaluate methods of enquiry, interpret different types of data from multiple sources and be able to propose possible solutions to problems.

- **The reason for individuals, organisations and societies having to make choices** *Students should understand:*
 - *the basic economic problem and the way it gives rise to the need to make choices and exchange;*
 - *the concepts of opportunity cost, production possibility curve, specialisation, division of labour and exchange.*

- **How competitive markets work**

Students should understand:

 - *the role of markets in influencing choices and allocating resources;*
 - *the objectives of consumers and producers as participants in a market;*
 - *the basic model of supply and demand and price determination in product, factor and money markets; (a knowledge of the theoretical derivation of the demand and supply curve is not required.)*
 - *the concepts of price, income and cross elasticity of demand, price elasticity of supply and their applications;*
 - *the concepts of consumer and producer surplus;*
 - *the conditions for both productive and allocative efficiency.*

- **The spectrum of competition and competitive behaviour**

Students should understand:

 - *the importance of the profit motive and other objectives in determining the competitive behaviour of firms;*
 - *the significance of freedom of entry and exit of firms into markets;*
 - *the models of perfect competition and monopoly, their limitations and relationship to the way in which firms behave in real world markets;*
 - *other market structures and their implications for the way resources are allocated.*

- **Why markets may not work efficiently**

Students should understand:

 - *that externalities, market dominance, public goods, merit goods and an unequal distribution of income are significant causes and consequences of market failure.*

- **The impact of government intervention on market outcomes and efficiency**

Students should understand:

 - *the way governments, in pursuit of their economic, social and distributional objectives, intervene in markets to correct market failure, for example through taxation, subsidies, price controls, state provision and*

regulations;

- *that, in certain cases, governments create rather than remove distortions, for example in agriculture and housing;*
- *the reasons for, and consequences of, price and non-price competition, including cartels, price agreements and price wars;*
- *the nature and consequences of barriers to competition;*
- *competition policy and its impact.*

3.4.2 The national and international economy

The emphasis should be on the use of economic models to develop critical understanding of macroeconomic and international issues. AS and A level specifications should use contemporary and recent historical data. [Awarding bodies should define ‘recent historical’ in their AS and A level specifications.] Students should understand government objectives and policies as they relate to economic growth and employment and to the stability of prices and the balance of payments.

AS students should be able to use the basic AS/AD model and data to understand why supply side and/or demand side policies may be seen as appropriate ways of managing an economy. They should be able to predict the possible impact of such policies and to recognise the assumptions involved. They should be able to argue for different approaches and identify success criteria.

In addition, A level students should understand the relationships and linkages which underpin macroeconomic models and be able to predict the possible impact of policy changes on local, national and international markets. They should be able to evaluate the effectiveness of government policies across a wide range of contexts.

- **Government policy objectives and indicators of national economic performance**

Students should understand:

- *governments’ objectives as they relate to economic growth, employment, inflation and the balance of payments;*
- *how data relating to these objectives can be used to make comparisons with other economies.*

- **The reasons for, and compatibility of, government policy objectives**

Students should understand:

- *the consequences of inflation, unemployment, instability of exchange rates and a balance of payments deficit;*
- *the costs, benefits and sustainability of economic growth;*
- *possible conflicts between policy objectives.*

- **Aggregate demand and aggregate supply; the determination of output, employment and prices**

Students should understand:

 - *the constituents of, and influences upon, aggregate demand;*
 - *the factors which influence aggregate supply;*
 - *how aggregate demand and supply analysis can be used to illustrate macro-economic problems and issues.*

- **The application of macro-economic policy instruments**

Students should understand:

 - *the nature and impact of fiscal, monetary, exchange rate and supply side policies;*
 - *the theories of interest rate and exchange rate determination.*

- **Structure and essential determinants of international transactions**

Students should understand:

 - *the general pattern of trade between the UK and the rest of the world;*
 - *trade with developing economies;*
 - *the principle of comparative advantage and its limitations;*
 - *the reasons for, methods and consequences of, protection against non-EU competition;*
 - *the determination of exchange rates; European Monetary Union.*

4. Key Skills

4.1 AS and A level specifications in Economics should provide opportunities for developing and generating evidence for assessing the Key Skills listed below. Where appropriate, these opportunities should be directly cross-referenced, at specified level(s), to the criteria listed in Part B of the Key Skills specification.

- Communication
- Information Technology
- Application of Number
- Improving Own Learning and Performance
- Working with Others
- Problem Solving

5. Assessment Objectives

- 5.1 The assessment objectives for AS and A level are the same.
- 5.2 All candidates must be required to meet the following assessment objectives. The assessment objectives are to be weighted in all specifications as indicated. Assessment objectives 3 and 4 should be given a greater weighting for A level than for AS (at least 25% for A level).

Assessment Objectives		Weighting
AO1	demonstrate knowledge and understanding of the specified content;	20-30%
AO2	apply knowledge and critical understanding to problems and issues arising from both familiar and unfamiliar situations;	20-30%
AO3	analyse economic problems and issues;	20-30%
AO4	evaluate economic arguments and evidence, making informed judgements.	20-30%

6. Scheme of Assessment

Internal Assessment

- 6.1 All A level specifications in Economics may have a maximum internal assessment weighting of 30%.

Synoptic Assessment

- 6.2 All specifications should include a minimum of 20% synoptic assessment. All synoptic assessment units should be taken at the end of the course and be externally assessed. Synoptic assessment in Economics will test candidates' understanding of the connections between different elements of the subject. It will relate to all the assessment objectives. In particular, synoptic assessment should test candidates' ability to:

- understand the inter-relatedness of many economic issues, problems and institutions;
- understand how certain economic concepts, theories and techniques may be relevant to a range of different contexts;
- apply such concepts, theories and techniques in analysing economic issues and problems and in evaluating arguments and evidence.

Synoptic assessment may be based on one section of the specification content provided that the tasks set allow candidates to demonstrate their ability in relation to the above. The emphasis in synoptic assessment should be on candidates' ability to think as economists and to use effectively the economist's 'tool kit' of concepts, theories and techniques which they have built up during their course of study.

Synoptic assessment could be conducted through the use of an extended case study or essay questions.

Key Skills Assessment

- 6.3 The Key Skill of Communication must contribute to the assessment of Economics at AS and A level as stated in paragraph 13 of the *Advanced Subsidiary and Advanced level qualification-specific criteria*.

The requirement for all AS and A level specifications to assess candidates' quality of written communication will be met through all four assessment objectives.

7. Grade Descriptions

- 7.1 The following grade descriptions indicate the level of attainment characteristic of the given grade at A level. They give a general indication of the required learning outcomes at each specified grade. The descriptions should be interpreted in relation to the content outlined in the specification; they are not designed to define that content. The grade awarded will depend in practice upon the extent to which the candidate has met the assessment objectives overall. Shortcomings in some aspects of the examination may be balanced by better performances in others.

7.2 Grade A

Candidates will demonstrate in-depth knowledge and critical understanding of a wide range of economic theories and concepts. They will apply this knowledge and understanding to analyse familiar and unfamiliar situations, issues and problems, using appropriate numerical and non-numerical techniques accurately. They will effectively evaluate evidence and arguments, making reasoned judgements to present appropriate and well supported conclusions.

7.3 Grade C

Candidates will demonstrate knowledge and understanding of a range of economic theories and concepts. They will apply this knowledge and understanding to analyse familiar and unfamiliar situations, issues and problems, using appropriate numerical and non-numerical techniques. They will evaluate evidence and arguments to present reasoned conclusions.

7.4 Grade E

Candidates will demonstrate knowledge and understanding of a limited range of economic theories and concepts. They will show some ability to use this knowledge and understanding in order to analyse familiar and unfamiliar situations, issues and problems making use of numerical and/or non-numerical techniques. Candidates' evaluation of evidence and arguments will be limited.

SECTION 2 – ADDITIONAL GUIDANCE ON SPECIFICATION CONTENT

The following pages are a re-statement of the specification content with a third column added, headed Additional Guidance. The purpose of this column is to expand on or explain further the specific content appearing in the first two columns. The third column attempts to pick up and resolve as far as possible issues raised by delegates at the many INSET meetings held around the country over the last year or so. It is recognised that this type of guidance can never be completely comprehensive but it is designed to make more explicit the broad limits of the content of each of the six units. Further guidance may be produced in future, if required.

AS: Additional Guidance on specification content of Units 1-3

In all three AS units, it is expected that candidates will have an understanding of index numbers and their use in time series.

Unit 1: Markets – how they work

This unit provides an introduction to the nature of economics and examines the operation of markets for goods and services. At the end of this unit, students should be able to understand the price mechanism as a means of allocating resources and be able to apply supply and demand analysis to real world situations.

Content	Students should be able to:	Additional Guidance
Positive and normative economics.	Distinguish between objective statements and value judgements.	
Scarcity and opportunity cost.	Understand the problem of unlimited wants and finite resources.	Understand the fundamental problems facing any economy. Knowledge of factors of production.
The production possibility boundary or frontier.	Use this analysis to illustrate the concept of opportunity cost and the efficient allocation of resources.	Understand the distinction between capital goods and consumers goods. Know that points within the PPF indicate unemployment of resources and that economic growth causes an outward shift in the PPF.
Specialisation and the division of labour.	Understand the benefits of specialisation and its significance for trade between countries.	A consideration of the risks associated with specialisation is required.

Economies of scale.	Give examples of economies of scale and understand that they will result in lower average costs.	Knowledge of internal economies of scale and understand the sources of such economies e.g. technical, marketing. Derivation of the long run average cost curve is NOT required.
The advantages of international trade: the principle of comparative advantage.	Understand the gains from trade, eg increased choice for consumers, larger markets for firms, and be able to distinguish between absolute and comparative advantage.	Understanding of opportunity cost, specialisation and the division of labour in determining trade is expected but the ability to explain the law of comparative advantage arithmetically is NOT required.
Consumer and producer surplus.	Define and distinguish between these concepts and be able to illustrate them.	The ability to show consumer and producer surplus on supply and demand diagrams is required.
The price mechanism as a means of allocating resources.	Explain the functions of the price mechanism. Examine how prices respond to changes in consumer preferences and provide incentives to producers.	
The role of the price mechanism in resource allocation in free market and mixed economies.	Analyse the advantages and disadvantages of the free market economy and why there are mixed economies.	
	Understand the economic effects of the transition of Eastern European economies away from central planning.	Detailed knowledge of Eastern European economies is NOT required.
The supply of, and demand for, goods and services.	Understand the distinction between a shift of, and movement along, demand and supply curves. They should also understand the causes of such movements and shifts.	Understand the significance of price changes and changes in conditions of supply and demand e.g. costs of production; real income; demographic changes. An understanding of the basis of the demand curve e.g. marginal utility theory is NOT required.

<p>The concept of elasticity with respect to both supply and demand.</p>	<p>Define, measure and interpret price elasticity of supply, price, income and cross elasticity of demand. They should understand the distinction between normal and inferior goods.</p>	<p>Explain the significance and uses of elasticities for consumers, firms and the government.</p>
<p>Applications of supply and demand analysis in the product and factor markets.</p>	<p>Apply the price mechanism in markets, such as commodities, agriculture, housing, labour and exchange rates.</p>	<p>Detailed knowledge of these markets is NOT required. Applications of the price mechanism, other than those mentioned are also relevant.</p>
<p>Entry and exit of firms.</p>	<p>Understand the impact of a new supplier and/or new product on price and output.</p>	<p>Understanding of contestable markets is NOT required in this Unit.</p>
<p>Government intervention in markets: rationale for such intervention and the effects on consumers, producers and the government.</p>	<p>Explain the reasons for government intervention in different markets. In the case of commodity markets, the analysis of buffer stocks to offset fluctuations in prices and output; in the case of agricultural markets, measures to stabilise farm incomes – the analysis of the impact of minimum guaranteed prices in agricultural markets; in the case of labour markets, the analysis of the effects of a national minimum wage.</p>	<p>Emphasis should be on the reasons for, and methods of, government intervention including a diagrammatic treatment. An understanding of the Cobweb analysis is required. Consideration of government failure appears in Unit 2.</p>
<p>Indirect taxes and subsidies.</p>	<p>Use supply and demand analysis to demonstrate the impact and incidence of taxes and subsidies on consumers, producers and the government.</p>	<p>Linkage with Unit 2 i.e. responses to market failure.</p>

Unit 2: Markets – why they fail

This unit examines the nature of market failure, its causes and possible policy remedies. At the end of this unit, students should be able to understand why markets might not allocate resources efficiently and the methods of dealing with market failure, together with an evaluation of their effectiveness.

Content	Students should be able to:	Additional Guidance:
Market failure.	Explain reasons why the price mechanism may not allocate resources efficiently, eg when there is only one supplier or when externalities are present. (Detailed knowledge of productive and allocative efficiency is not required.)	An outline knowledge of productive and allocative efficiency is required including an awareness of average and marginal cost. However, a diagrammatic treatment of these concepts is NOT expected.
Types of market failure:	Explain barriers to entry of new firms, eg ownership of raw materials, patents, economies of scale. Analyse the implications of the existence of a single supplier and absence of competition for the firm and for consumers. A diagrammatic treatment is NOT required.	Understanding of contestable markets is NOT required in this Unit.
<ul style="list-style-type: none"> ◆ Monopoly: reasons for market dominance. 		
<ul style="list-style-type: none"> ● Public, merit and demerit goods. 	Define and give appropriate examples of government provision.	
<ul style="list-style-type: none"> ● Externalities. The distinction between private costs and social costs (= external costs). The distinction between private benefits and social benefits (= external benefits). The reasons for government intervention in markets, such as transport and the environment, health and education. The case for and against an expansion of the private sector in such markets. 	Explain the impact of production and consumption on third parties. Consider examples such as road congestion, environmental pollution, health care and provision of education. Examine factors that might cause market failure in the markets for health and education, eg information problems, unequal income distribution. Illustrate external costs and benefits with appropriate diagrams.	<p>An ability to use a diagrammatic approach with private and social marginal cost curves and private and social marginal benefit curves is expected. The welfare loss to society could then be identified.</p> <p>Understand the relationship between external costs and diseconomies of scale. Understand the relationship between external benefits and external economies of scale.</p>

		Detailed knowledge of the examples mentioned is NOT expected. Other applications are also relevant e.g. waste disposal, tourism.
<p>Remedies for market failure:</p> <ul style="list-style-type: none"> ◆ for monopoly: regulation and encouragement of entry of new firms 	<p>Understand the broad methods of regulating monopolies, eg by regulations relating to market share and mergers; by government measures to promote the growth of new firms. However, detailed knowledge of legislation concerning UK and EU competition policy is NOT required.</p>	
<ul style="list-style-type: none"> ● for external costs and demerit goods: regulation; taxation; extension of property rights; tradable permits. ● for external benefits and merit goods: subsidies to producers and consumers. 	<p>Analyse the application of these policies using supply and demand diagrams where appropriate. Evaluate the arguments for and against public transport provision.</p>	<p>Understand the effectiveness of each policy in reducing external costs: e.g. problem of enforcing legislation; the impact of indirect taxation on producers and consumers and the significance of elasticities (link with Unit 1); the practical problems of extending ownership rights; and the use of a system of permits allowing firms to pollute, which can be traded.</p> <p>Consideration of issues associated with subsidies e.g. impact on consumers and producers; cost to the government (link with Unit 1).</p>
<p>Government failure.</p>	<p>Understand how government action may reduce economic efficiency by inappropriate responses or lead to unintended results, eg outcomes of agricultural stabilisation policies. They should also examine other sources of government failure, eg administrative costs; how subsidies might prevent exit from the industry.</p>	<p>Explain why government intervention might lead to market distortions.</p>

Unit 3: Managing the economy

This unit provides an introduction to the key measures of economic performance and the main objectives and instruments of government policy. At the end of this unit, students should have an understanding of the key goals of government policy, the basic aggregate demand/aggregate supply model and the policies that can be used in the management of the economy.

Content	Students should be able to:	Additional Guidance
Measures of the economic performance of countries:		These are indicators of the health of the economy. An understanding of index numbers; the distinction between real and nominal values; and time series is required.
<ul style="list-style-type: none"> The Retail Price Index 	Understand how the rate of inflation is measured by the Retail Price Index and consider its limitations.	Knowledge of the distinction between RPI and RPIX is required.
<ul style="list-style-type: none"> The Level of Unemployment 	Understand alternative methods of measuring unemployment and consider their limitations.	Knowledge of the distinction between measures such as the claimant count and the Labour Force Survey is expected.
<ul style="list-style-type: none"> The Balance of Payments 	Understand the main components of the Balance of Payments with special reference to the current account (trade in goods, trade in services, investment income).	
<ul style="list-style-type: none"> Gross Domestic Product 	Understand the meaning of GDP and be able to distinguish between nominal and real GDP. (Detailed knowledge of the measurement of GDP is NOT required.) Understand the limitations of GDP as an indicator of comparative living standards between countries and over time.	
Economic growth: <ul style="list-style-type: none"> causes of differences of growth rates between countries. 	Contrast growth rates between the rich and poor countries.	Link with Unit 1 (Production possibility Frontiers) Consideration of the significance of factors

<ul style="list-style-type: none"> the desirability and costs of economic growth. 		<p>designed to increase productivity is expected e.g. capital investment, innovation.</p> <p>Understanding of the significance of export-led growth.</p> <p>Link with Unit 2 (external costs of growth).</p>
<p>Aggregate demand:</p> <ul style="list-style-type: none"> components of aggregate demand – consumption, investment, government expenditure, exports-imports. 	<p>Understand the meaning of each of these components of aggregate demand and of the factors influencing their size. (The income/expenditure approach of the basic Keynesian model is NOT required.) The multiplier effect should also be understood using a descriptive approach.</p>	<p>Know the distinction between injections and withdrawals.</p> <p>Understand the factors influencing the size of these components of aggregate demand e.g. income, wealth, interest rates, exchange rates.</p>
<p>Aggregate supply: The short-run and long-run aggregate supply curves.</p>	<p>Explain the factors influencing aggregate supply, such as technological advances, improvement in skills of the workforce.</p>	<p>Know that the aggregate supply curve shows the relationship between real output and the price level. Understand the distinction between short and long run aggregate supply curves.</p>
<p>The relationship between aggregate demand and the price level and between aggregate supply and the price level.</p>	<p>Understand the distinction between shifts of, and movements along, the aggregate demand curve and between shifts of, and movements along, the aggregate supply curve.</p>	
<p>The equilibrium level of real output.</p>	<p>Illustrate and explain the interaction of aggregate demand and aggregate supply. Analyse causes of changes in the equilibrium level of real output, eg changes in world oil prices, financial crises within the global economy.</p>	<p>Ability to explain and analyse the effects of changes in factors such as government expenditure and investment on aggregate demand and aggregate supply.</p>

<p>Macroeconomic policy objectives in an EU context: Full employment, price stability, economic growth, Balance of Payments equilibrium, income redistribution and concerns for the environment. Reasons why these objectives might not be achieved.</p>	<p>Understand the causes, costs and effects of unemployment, inflation, Balance of Payments disequilibrium and inequality in income distribution.</p>	<p>Link with the measurement of the economic performance of countries at the start of this Unit. Explain the reasons why these objectives are pursued by governments. Understanding of the concept of full employment.</p>
<p>Conflicts between these objectives.</p>	<p>Explain possible trade-offs between inflation and unemployment with the application of the simple Phillips curve. Other possible conflicts should also be considered, eg between economic growth and Balance of Payments equilibrium.</p>	<p>The expectations augmented Phillips curve is NOT required.</p>
<p>The relative merits of supply side and/or demand side policies as means of realising policy objectives: Supply side policies to include reference to education and training, reduction in trade union power, reduction in unemployment benefits. Demand side policies to include reference to fiscal policy, monetary policy (use of interest rates), and exchange rates.</p>	<p>Analyse the short-run and long-run effects of supply side and demand side policies on the rate of inflation, the level of unemployment, the rate of growth and on the Balance of Payments. Use the aggregate demand/aggregate supply model in analysis.</p>	<p>Understand that supply side policies are aimed at increasing aggregate supply through increasing competition, productivity and flexibility in product and labour markets. Understand the impact of exchange rate fluctuations on aggregate demand.</p>

A2: Additional Guidance on specification content of Units 4-6

Unit 4: Industrial economics		
<p>This unit develops the content of Units 1 and 2 and examines how the pricing of, and nature of competition between, firms is affected by the number and size of market participants. At the end of this unit, students should be able to analyse the pricing and output decisions of firms in different contexts. They should also be capable of making an appraisal of government intervention aimed at promoting competitive markets.</p>		
Content	Students should be able to:	Additional Guidance
The birth and growth of firms.	Understand how firms begin and the constraints on their development.	
The motives for the growth of firms.	Understand the reasons why firms seek an expansion in market shares and may derive monopoly power.	An understanding that market power is expressed in terms of a firm's ability to be a price maker and have an influence on the market price.
Internal and external growth:	Distinguish between different methods of the growth of firms.	Explain the distinction between company growth brought about by reinvestment of profits or through corporate acquisition i.e. takeover bids and mergers. Understanding of the distinction between forward and backward integration. Linkage with Unit 5B and Unit 6.
<ul style="list-style-type: none"> internal expansion: vertical, horizontal and conglomerate mergers. the increased importance of multinational/transnational firms (MNCs). 	Understand the significance of MNCs as major sources of the output of goods and services in a global context.	
Alternative motives of firms:	Distinguish between different corporate objectives and exemplify these diagrammatically.	Profit maximisation is defined as that output level where marginal revenue equals marginal cost. Revenue maximisation is defined as that output level where marginal revenue is zero. Sales maximisation is defined as the maximum level of output which can be produced without making a loss, ie, where average revenue equals average cost.
<ul style="list-style-type: none"> Profit maximisation, revenue maximisation and sales maximisation. 		

<p>Productive efficiency.</p>	<p>Understand that a market is productively efficient when output is produced at lowest possible average cost.</p>	<p>An ability to show both these concepts of efficiency is required. In distinguishing between these efficiency concepts it is assumed that candidates will have an understanding of cost curves. They should be able to calculate, draw and interpret marginal and average cost curves. The law of diminishing returns may be introduced in explaining short run cost curves but an understanding of this concept will not be examined.</p>
<p>Allocative efficiency.</p>	<p>Understand that a market is allocatively efficient when output is produced at a price paid by consumers that is equal to the marginal cost incurred in producing that output.</p>	<p>Concentration ratios should be defined with reference to both sales and employment.</p>
<p>Measures of market concentration.</p>	<p>Interpret the meaning of concentration ratios.</p>	<p>Candidates should be able to discuss the implications of the following aspects in affecting the behaviour of firms: the number of firms; product homogeneity; the ease or difficulty of market entry and exit. Candidates should also be able to discuss how the market performance of firms i.e., profitability and efficiency, differs throughout the spectrum of market structures. By comparing different market structures candidates should be able to evaluate these outcomes.</p>
<p>Pricing and output decisions under different market structures and different motives.</p> <ul style="list-style-type: none"> ◆ perfect competition ◆ imperfect competition ◆ oligopoly ◆ monopoly. 	<p>Compare different market structures with reference to economic efficiency and market performance.</p>	<p>An ability to demonstrate price discrimination diagrammatically is required..</p>
<p>The conditions necessary for price discrimination in monopoly.</p>	<p>Analyse the conditions for, and the implications of, price discrimination for both producer and consumer surplus.</p>	

<p>Pricing and Non-pricing strategies:</p> <ul style="list-style-type: none"> ◆ cost-plus pricing ◆ predatory pricing ◆ limit pricing ◆ advertising and sales promotion policies ◆ collusion and cartels. 	<p>Recognise the distinction between various forms of market behaviour and the contexts in which they might be employed.</p>	<p>Candidates should be aware of these different strategies. Average cost pricing can be defined as where a firm charges a price explicitly with reference to average costs plus a percentage profit mark-up. Predatory pricing can be defined as a situation where a firm is prepared to deliberately make a loss in the short run with the aim of driving a rival(s) out of the market. In the long run this will enable the firm to raise its price more than it has previously been reduced. Limit pricing can be defined as a situation where an established firm tries to forestall new entry in a situation typically where economies of scale exist. Candidates should be able to explain the requirements for successful cartel action and the difficulties that cartels experience in practice.</p>
<p>Barriers to entry and exit.</p>	<p>Explain factors that may inhibit the entry of firms into a market and also exit, eg sunk costs (links with Unit 2).</p>	
<p>Contestable markets.</p>	<p>Understand how the threat of new entry may influence behaviour and market performance of existing firms.</p>	<p>An understanding of how the possibility of 'hit and run' competition can affect price determination by established firms.</p>
<p>Competition policy in the UK and EU.</p>	<p>Analyse the effects of measures aimed at enhancing competitive markets on both consumers and producers. Detailed knowledge of legislation concerning UK and EU competition policy is NOT required.</p>	<p>An ability to evaluate the costs and benefits of competition policy is expected.</p>
<p>Regulation of privatised industries.</p>	<p>Analyse how the creation of regulatory agencies, eg OfTel and Ofwat, aim to influence the behaviour of suppliers in markets where there were formerly state-owned undertakings.</p>	<p>Emphasis should be given to the effects of regulating the privatised industries.</p>

Unit 5A: Labour markets

This unit provides a framework for the analysis of labour markets with particular reference to the UK and EU. It also examines the associated issues of the distribution of income and wealth. At the end of this unit, students should be able to analyse wage determination and understand the reasons for wage differentials and factors that determine differences in the distribution of both income and capital in the UK.

Content	Students should be able to:	Additional Guidance
<p>The supply of labour: the working population. The choice between work and leisure: income and substitution effects.</p> <p>The demand for labour. Labour as a derived demand.</p> <p>Wage determination in competitive markets.</p>	<p>Understand the factors affecting the size, age profile and sex distribution of the working population. Describe these effects but knowledge of indifference curves is NOT required. Understand the factors influencing the demand for labour, including marginal productivity theory and also the elasticity of demand for labour. Explain the interaction of the supply of, and demand for, labour in the determination of wage rates.</p>	<p>Explain the derivation of the supply curve of labour.</p>
<p>Differentials in different occupations; between men and women; skilled/unskilled workers; ethnic groups. Discrimination.</p> <p>The role of trade unions.</p>	<p>Explain wage differentials in terms of a variety of contexts, eg productivity, educational qualifications and environment. Analyse the impact of labour organisations on wages and the level of employment.</p>	<p>Understand the role of market forces in determining relative wage rates recognising the relevance of the elasticities of both the demand for, and supply of, labour. Knowledge of trends in trade union membership and the reasons for these trends. Understand the nature of collective bargaining at local and national levels.</p>
<p>Government intervention in labour markets. The effects of equal pay and other legislation on labour markets such as the Minimum Working Time Directive.</p>	<p>Analyse the repercussions of such government policies in the light of their intended objectives.</p>	<p>An ability to evaluate the implications of a National Minimum Wage and the Working Time Directive</p>
<p>The case of monopsony.</p>	<p>Analyse the implications of a single buyer of labour on wage rates and level of employment.</p>	<p>Illustrate the case of a monopsonistic employer of labour in contrast with competitive labour markets.</p>

Unemployment and labour market imperfections.	Explain the structure, duration and incidence of unemployment in the UK.	Linkage with Unit 3.
Government policies to influence geographical mobility and occupational mobility.	Understand the implications of training schemes and other measures to enhance labour mobility in the UK.	Understand the nature and implications of labour market flexibility for the way labour markets work. Analyse how both demand and supply factors will influence the working of labour markets. A detailed knowledge of the legislation related to regional policies is not expected.
The changing structure and flexibility of UK and EU labour markets.	Explain changes in labour participation rates and the factors influencing change in labour markets, eg the impact of new technology; migration; the Social Chapter; regional policies.	Analyse how the working labour markets change in the light of factors both on the demand side and the supply side including the rationale of government policies in an EU context. A detailed knowledge of the legislation relating to regional policies is <i>not</i> expected.
Ageing populations in developed economies.	Examine the significance of an ageing population for both labour markets (flexibility) and governments (public expenditures).	Understand the processes of demographic change and the 'demographic time bomb' of ageing populations in many developed economies.
Factors influencing the distribution of income and wealth.	Explain inequalities resulting from inheritance of owner-occupation, age, education, pensions, state benefits and expenditures.	Understand the causes of inequality and poverty with reference to the UK. A knowledge is expected of the distribution of income and wealth of households in the UK.
Changes in the distribution of income and wealth.	Evaluate the significance of government policies affecting income and wealth distribution.	Understand how government policies relating to taxes and benefits aim to influence the household distribution of income and wealth. Candidates should be able to analyse and evaluate such policies.
Measurement of inequality. The Lorenz curve.	Interpret the significance of a Lorenz curve diagram.	
Aggregate and disaggregated data.	Interpret the meaning of data in different income situations, eg deciles, quintiles.	
Policy issues associated with poverty and inequality.	Analyse and explain the impact of incentives, eg lowering marginal tax rates.	

Unit 5B: Economic development

This unit explores issues associated with economic development of those countries mainly in the southern hemisphere seeking to achieve faster economic growth and an enhanced quality of life for rapidly growing populations. At the end of this unit, students should be able to understand the causes, costs and benefits of economic growth in developing countries. They should also be able to appraise the benefits and disadvantages to those countries of alternative sources of finance from developed countries.

Content	Students should be able to:	Additional Guidance
<p>Indicators of development in developing countries in sub-Saharan Africa, Asia and Latin America.</p> <p>Absolute and relative poverty.</p>	<p>Compare and contrast GDP per capita and other measures of economic and social development, eg life expectancy, literacy rates, the proportion of population employed in agriculture.</p> <p>Understand the distinction between these terms.</p>	<p>Understand the limitations of national income statistics as indicators of development. Explain the interrelationships between these indicators.</p>
<p>The causes of economic growth in developing countries.</p> <p>The significance of economic growth for development:</p> <ul style="list-style-type: none"> ◆ the role of both physical and human capital ● technological progress 	<p>Examine the sources of economic growth and the extent to which they can be affected by government intervention.</p>	<p>Evaluation of the impact of government policies.</p>
<p>Differences between developing countries.</p>	<p>Compare how the record of economic development differs in sub-Saharan Africa, Asia and Latin America and explain reasons for these differences.</p>	<p>Understand how there are differences in countries both between and within the three continents and a consideration of these differences.</p>
<p>The costs of economic growth.</p>	<p>Analyse the external costs associated with development, eg deforestation, environmental degradation.</p>	<p>Linkage with Unit 2.</p>
<p>Constraints on economic growth.</p>	<p>Evaluate the impact of different obstacles to economic growth, eg rapid population growth, lack of finance dependency on primary products, debt, corruption.</p>	<p>Analyse the causes of the problems facing developing countries both of an internal and external nature. An ability to appraise the relative significance of the constraints facing developing countries is expected.</p>

<p>Development strategies. The development of particular sectors of the economy:</p> <ul style="list-style-type: none"> • agriculture • industry • tourism. 	<p>Analyse the problem of primary product dependency.</p> <p>Examine the nature and impact of inward- and outward-looking trade strategies; import substitution and export promotion policies.</p> <p>Analyse the benefits and costs of developing tourism.</p>	<p>Consideration of how the growth of these three sectors is in various ways dependent on relationships with other countries.</p>
<p>Sources of external finance. Private sector finance especially from multinational firms.</p> <p>Government assistance.</p>	<p>Evaluate the role, benefits and disadvantages of foreign direct investment (FDI) by MNCs in the developing countries.</p> <p>Evaluate the role, benefits and disadvantages of official development assistance (aid). Examine the case for and against debt forgiveness.</p>	<p>Understand that this section focuses on outward investment by MNCs in developing countries in contrast with MNCs in developed countries in Unit 6.</p> <p>An ability to compare how governments in developed countries can try to assist developing countries in contrast with private sector institutions.</p>
<p>The IMF and IBRD (World Bank).</p> <p>Structural adjustment policies.</p>	<p>Evaluate the roles of both of the Bretton Woods institutions in providing financial assistance to developing countries.</p> <p>Explain the repercussions of such policies, eg trade liberalisation and expenditure reductions on the economy and human welfare.</p>	<p>Analyse the roles of these international institutions in developing countries and appraise the effectiveness of their policies.</p> <p>Understand the intervention of these policies to enhance the role of markets and appraise their effectiveness in terms of resource allocation and raising the rate of economic growth..</p>

Unit 6: The UK in the global economy

This unit develops the content of Units 1 and 3 by examining the position of the UK in the context of the world economy. It focuses on international trade and exchange rate issues. At the end of this unit, students should be able to evaluate the macroeconomic performance of the UK in a European Union and global perspective.

Content	Students should be able to:	Additional Guidance
Factors contributing to globalisation	Understand the significance of the factors that have enhanced the interdependence of economies, eg the reduction in trade barriers, capital mobility, the growth of MNCs and technological developments, eg the Internet.	The start of this unit considers the global economy in its broadest sense and sets a context within which later sections focus on the UK in particular.
International exchange	Understand the importance of trade between developed economies, relative to world trade as a whole.	
Trade liberalisation and protectionism. Reasons for tariffs, quotas and non-tariff barriers and the consequences of their use.	Explain the global efforts to reduce tariff barriers and analyse the impact of protectionist measures on resource use in an international context, eg the impact of the CAP on world trade in commodities.	Analyse tariff and non-tariff measures of protection and demonstrate these diagrammatically.
Sources of possible conflict between trading blocs and the role of the World Trade Organisation (WTO).	Explain how membership of the WTO constrains the use of protectionist policies by countries particularly in times of global recession.	Understanding of the distinction between free trade areas and customs unions. Analyse how trading blocs can pursue objectives and policies which may be in conflict with the aims of the WTO.
The Balance of Payments.	Understand the main elements of the current account. Only a brief knowledge of capital transactions is required. Understand recent trends in the UK's accounts (links with Unit 3).	

<p>International competitiveness.</p>	<p>Understand various measures of the competitive position of the leading countries in international trade, eg unit costs and relative export prices.</p>	
<p>The UK's changing international competitive situation.</p>	<p>Make an appraisal of the competitiveness of British industry in both home and overseas markets. Explain the UK's export performance and import penetration.</p>	
<p>Factors affecting international competitiveness and government policies to enhance the UK's relative position.</p>	<p>Understand how successive UK governments have taken measures to enhance competitiveness, eg through deregulation measures, encouragement of inward investment and the enhancement of labour skills.</p>	<p>Linkage with Unit 3 and Unit 5A.</p>
<p>Balance of payments disequilibrium. Policy remedies including:</p> <ul style="list-style-type: none"> ● exchange rate adjustment ● demand management ● supply side policies. 	<p>} Evaluate the impact of these alternative policy measures (links with Unit 3).</p>	
<p>Exchange rate systems. Fixed and floating rates. Factors affecting exchange rates. Exchange rates as a policy instrument.</p>	<p>Explain how exchange rates are determined under a system of floating rates (links with Unit 1). Understand influences on exchange rates such as relative interest rates, relative inflation rates and speculative capital flows. Explain the effects of changes in exchange rates on the level of economic activity in different countries.</p>	<p>A comparison and evaluation of fixed and floating exchange rates.</p>
<p>European Monetary Union. The costs and benefits of monetary union in the EU.</p>	<p>Evaluate the implications of monetary union for the conduct of monetary and fiscal policies by individual countries in Europe.</p>	

Inward foreign investment by MNCs.	Analyse the role, benefits and disadvantages of capital inflows from MNCs in an EU context.	Linkage with Unit 5A.
External shocks to the global economy.	Examine adverse impacts on the world level of economic activity, eg higher oil prices.	
Public expenditure and taxation.	Explain reasons for the changing size and composition of public expenditure in the UK.	Understand the distinction between automatic and discretionary fiscal policy.
Different types of taxes. The impact of public expenditure and taxation on income distribution. Public sector borrowing.	Evaluate the relative merits of direct and indirect taxation and examine the effects of changes in fiscal policy for different groups in the UK.	Detailed knowledge of the public finances of countries is <i>not</i> expected but candidates should be able to compare the UK with other European countries and members of the OECD.
International comparisons of public finances.	Explain the factors influencing the size of public sector borrowing. Explain and evaluate the implications of differences between countries in their public finances.	Evaluation of the extent to which policy instruments meet their intended aims..
The working of fiscal, monetary and supply side policies.	Appraise policy instruments in achieving policy objectives and evaluate associated problems that may be encountered, eg time lags; the accuracy of economic data on the state of the economy.	
Unemployment and inflation in an EU and global context.	Understand the causes and consequences of trends in the numbers out of work and the rate of increase in the price level within the EU (links with Unit 3).	
The relationship between real output and the non-accelerating inflation rate of unemployment (NAIRU).	Understand the distinction between the short-run Phillips curve and the long-run Phillips curve.	

SECTION 3 - SCHEMES OF WORK

The Schemes of Work on the following pages have been produced by a number of teachers, many of whom have been delivering the current syllabus for a number of years and have been keen to look at ways of delivering the new specification. These are all provided to help teachers decide what the starting point could be and how the content of the 6 units can be broken down. They are clearly not prescriptive in any way. Many teachers will want to adapt these schemes to suit their own individual circumstances.

Scheme of Work for AS/Advanced GCE Economics (8121/9121), produced by Andrew Moth, Westcliffe High School for Boys

Basic assumptions

It is assumed that:

- 1 the whole course is taught by one teacher.
- 2 approximately three and a half hours of teaching time is available in each week.
- 3 students will be taking their three AS units at the end of Year 12 and their three A2 units at the end of Year 13.
- 4 option 5A Labour Markets is chosen.
- 5 the course is divided into two distinct halves - the AS course is assumed to last two terms with the first weeks of the summer term available for revision. The A2 course is assumed to last slightly longer than two terms because some three/four weeks are available in the summer term for the study of these units. Again, it is assumed that revision will take place in the summer term, this time of Year 13.
- 6 major internal examinations are set twice - both are mock examinations set in the later part of the Spring Term.
- 7 the first three units are taught in the order unit 1, unit 3 and unit 2 - this gives a basic introduction to both micro and macro-economics in the first instance.

Changes which are brought about by the new specifications for AS and A2

- A Whilst the overall content of the new specification is very similar to the current syllabus, it is divided up in quite a different way.
- B Whilst it is possible to teach across the six different units, mixing elements from different sections, it must be remembered that each unit is being examined separately.

Principle objectives:

Not to allow students to lose sight of the fact that, despite the splitting up of the content into six units, economics is very much a circular subject with everything depending on everything else. This is especially important in the preparation for the teaching of Unit 6.

AS COURSE: UNITS 1-3

The following is a possible scheme for teaching the three units of the AS Economics course:

September 2000

Topic 1	Basic Introduction: What economics is about	(Unit 1)	(1 week)
Topic 2	Specialisation & Economies of Scale	(Unit 1)	(1 week)
Topic 3	Supply & Demand Analysis	(Unit 1)	(2 weeks)

October 2000

Topic 4	Elasticity	(Unit 1)	(2 weeks)
Topic 5	Indirect taxes and subsidies	(Unit 1)	(1 week)

November 2000

Topic 6	The Application of supply and demand analysis in different markets including government intervention in markets	(Unit 1)	(2 weeks)
Topic 7	Overview - The Free Market Economy	(Unit 1/2)	(1 week)

December 2000

Topic 8	Introduction to Macro-economics	(Unit 3)	(1 week)
Topic 9	Aggregate Demand	(Unit 3)	(1 week)
Topic 10	Aggregate Supply	(Unit 3)	(1 week)
Topic 11	Putting the aggregate supply and demand curves together	(Unit 3)	(1 week)

January 2001

Topic 12	Inflation	(Unit 3)	(1 week)
Topic 13	Unemployment	(Unit 3)	(1 week)
Topic 14	The Balance of Payments	(Unit 3)	(1 week)
Topic 15	Economic Growth	(Unit 3)	(1 week)

February 2001

Topic 16	Policies to achieve macro-economic policy goals	(Unit 3)	(1½ weeks)
Topic 17	Conflicts between the different macro-economic policy objectives	(Unit 3)	(1½ weeks)

March 2001

Topic 18	Externalities	(Unit 2)	(1 week)
Topic 19	The practical application of externalities	(Unit 2)	(1 week)
Topic 20	Monopoly	(Unit 2)	(1 week)
Topic 21	Market Failure	(Unit 2)	(1 week)

April 2001

Mock examination and analysis of papers

May 2001

Revision

A2 COURSE – UNITS 4 TO 6

June/July 2001

Topic 1	Market structures I	(Unit 4)	(3 weeks)
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September 2001

Topic 2	Market structures II	(Unit 4)	(2 weeks)
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Topic 3	Competition Policy and privatised industry regulation	(Unit 4)	(1 week)
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Topic 4	Growth of firms and mergers and take-overs	(Unit 4)	(1 week)
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October 2001

Topic 5	Pricing and marketing strategies including price discrimination	(Unit 4)	(1 week)
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Topic 6	The supply of and demand for labour	(Unit 5)	(1 week)
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Topic 7	Wage Determination, wage differentials and Government policy on the labour market	(Unit 5)	(3 weeks)
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Topic 8	The effects of an ageing population	(Unit 5)	(1 Week)
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December 2001

Topic 9	Distribution of income and wealth and the Lorenz Curve	(Unit 5)	(1 week)
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Topic 10	International trade	(Unit 6)	(2 weeks)
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January 2002

Topic 11	The Balance of Payments	(Unit 6)	(2 weeks)
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Topic 12	Exchange rates and European Monetary Union	(Unit 6)	(2 weeks)
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February 2002

Topic 13	Public expenditure and Taxation	(Unit 6)	(2 weeks)
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Topic 14	Unemployment and Inflation	(Unit 6)	(2 weeks)
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March 2002

Mock Examination

April/May 2002

Revision

Scheme of Work with topics and references expanded from the outline given above, produced by Andrew Moth, Westcliff High School for Boys

SPECIFICATION AREA:	KEY CONCEPTS AND IDEAS TO BE COVERED	REFERENCES
TOPIC 1: BASIC INTRODUCTION Unit 1 – 1 week	Scarcity Choice Opportunity cost Production possibility curves Diminishing returns Positive economics Normative Economics Marginal analysis The distinction between micro and macro economics Simple introduction to the idea of efficiency	Anderton Units 1 & 114 Maunder et al Chapter 1 Sloman Chapter 1
TOPIC 2: SPECIALISATION AND THE DIVISION OF LABOUR Unit 1 – 1 week	The division of labour Specialisation Absolute advantage Comparative advantage	Anderton Units 1, 20 & 84 Maunder Chapters 3 & 4 Sloman Chapter 2
TOPIC 3: SUPPLY & DEMAND ANALYSIS Unit 1 – 2 weeks	Demand schedule Demand curve Demand function Supply schedule Supply function Supply curve	Anderton Units 4, 5, 6 & 7 Maunder et al Chapters 3 & 4 Sloman Chapter 2

Increase/decrease in supply/demand
Extension/Contraction of supply/demand
Equilibrium
Effects of changes in demand and supply on
equilibrium price and quantity

TOPIC 4: ELASTICITY

Unit 1 – 2 weeks

Price elasticity of demand

Formula & determinants

Meaning of elastic, inelastic & unitary

PED/Total revenue relationship

PED and the demand curve

Income elasticity of demand

Formula

Normal & inferior goods

The significance of income elasticity of demand to
producers.

Cross elasticity of demand

Formula

Complements & substitutes

Price elasticity of supply

Formula & determinants

PES and the supply curve

Anderton Units 9& 10
Maunder et al Chapter 5
Sloman Chapter 2.4

TOPIC 5: INDIRECT TAXES AND SUBSIDIES

Unit 1 – 1 week

The effects on the supply curve of a per unit sales tax
and of a subsidy

The incidence of taxation

The importance of PED and PES in determining the
incidence of taxation

The effects of an ad valorem tax

Anderton Unit 13
Maunder et al Chapter 9
Sloman Chapter 3.2

<p>TOPIC 6: THE APPLICATION OF SUPPLY & DEMAND ANALYSIS IN DIFFERENT MARKETS, INCLUDING GOVERNMENT INTERVENTION IN MARKETS Unit 1 – 2 weeks</p>	<p>Maximum & minimum price controls Primary products Their low price elasticities of demand and of supply The causes of fluctuations in demand and/or supply The cobweb theory Methods to try and stabilise the prices of primary products and the limitations of such schemes Eg commodity agreements; buffer stock schemes</p> <p>The housing market The determinants of demand and supply in this market and the factors affecting house prices The effects of rent controls</p> <p>The Labour market Basic introduction to the labour market and the reasons for its main imperfections Geographical and occupational immobility of labour The national minimum wage and its impact</p>	<p>Anderton Units 11 & 12 Maunder et al Chapters 6 & 9 Sloman Chapters 3.4</p> <p>Maunder et al Chapter 11 Sloman Chapter 2.3</p> <p>Maunder et al Chapter 9</p>
<p>TOPIC 7: OVERVIEW: THE FREE MARKET ECONOMY Units 1/2 - 1 week</p>	<p>The advantages & disadvantages of the free market economy The transition to a free market economy in Eastern Europe The working of the price mechanism in allocating resources</p>	<p>Anderton Units 111 & 113 Maunder et al chapters 2 and 4</p>
<p>TOPIC 8: INTRODUCTION TO MACRO-ECONOMICS Unit 3 – 1 week</p>	<p>The four traditional aims of government economic policy. Outline and definitions of the balance of payments,</p>	<p>Maunder et al Chapter 8 Sloman Chapters 13 & 14</p>

unemployment, economic growth and inflation.
Brief consideration of why it has often proved difficult to achieve them simultaneously.
Brief consideration of how the EU is becoming increasingly important in the execution of macro-economic policy.

TOPIC 9: AGGREGATE DEMAND

Unit 3 – 1 week

The shape of the aggregate demand curve.

Movements along the aggregate demand curve and shifts in the aggregate demand curve.

Anderton Unit 64
Maunder et al Chapter 14

Consumption:

The determinants of consumption spending

The average and marginal propensities to consume and to save

Maunder et al Chapter 15
Anderton Unit 62
Griffiths & Wall Chapter 13

Investment:

The determinants of investment including the accelerator model

Griffiths & Wall Chapter 14
Anderton Unit 63
Maunder et al Chapter 15

Government Expenditure:

The determinants of government expenditure including simple treatment of the automatic stabilisers

Griffiths & Wall Chapter 15
Sloman Chapter 17
Anderton Unit 44

Exports and Imports:

The determinants of demand for exports and imports

Griffiths & Wall Chapter 25
Anderton Unit 83
Maunder et al Chapters 6 and 17
Sloman Chapter 14

	The Multiplier Effect	Anderton Unit 81 Sloman Chapter 16 Maunder et al Chapter 16
TOPIC 10: AGGREGATE SUPPLY Unit 3 – 1 week	The difference between the short run and the long run in the macro-economy The aggregate supply curve Determinants of aggregate supply Factors affecting the movement of the aggregate supply curve	Anderton Unit 65 Maunder Chapter 14 Sloman Chapter 21
TOPIC 11: PUTTING TOGETHER THE AGGREGATE SUPPLY AND DEMAND CURVES Unit 3 – 1 week	The equilibrium level of real output The effect of supply side shocks on the economy The causes and effects of shifts in the aggregate demand curve	Anderton Unit 66 Sloman Chapters 20 & 21 Maunder et al Chapter 14
TOPIC 12: INFLATION Unit 3 – 1 week	The retail price index and its limitations The costs of inflation The causes of inflation - cost push, demand pull and monetary causes	Anderton Units 93 & 94 Maunder et al Chapters 8 and 28 Griffiths & Wall Chapter 19 Sloman Chapter 13.4
TOPIC 13: UNEMPLOYMENT Unit 3 – 1 week	The various ways of measuring unemployment and their limitations The costs of unemployment The types and causes of unemployment	Anderton Unit 89 Maunder Chapter 8 Griffiths & Wall Chapter 20 Sloman Chapter 13.3
TOPIC 14: THE BALANCE OF PAYMENTS Unit 3 – 1 week	The components of the current account Surpluses & deficits Introduction to the capital account	Anderton Unit 86 Sloman Chapter 14.1 Maunder et al Chapters 6 & 30

TOPIC 15: ECONOMIC GROWTH

Unit 3 – 1 week

Gross domestic product
The difference between nominal GDP and real GDP
The use of GDP statistics as a measure of the standard of living
The limitations of such uses both over time and as a measure of the comparative living standards between countries.
Definition & measurement of economic growth

Griffiths & Wall Chapter 25
Anderton Unit 99
Maunder et al Chapter 26
Sloman Chapter 13.2

TOPIC 16: POLICIES TO ACHIEVE MACRO-ECONOMIC POLICY GOALS

Unit 3 – 1.5 weeks

Monetary policy
Fiscal policy
Exchange rate policy
Supply side policies
The use of each of these to achieve macro-economic policy objectives

Anderton Units 44, 47 & 77
Maunder et al Chapters 14, 17, 28, 29 & 30.
Sloman Chapters 20.1 & 20.2

TOPIC 17: CONFLICTS BETWEEN THE DIFFERENT MACRO-ECONOMIC POLICY OBJECTIVES

Unit 3 – 1.5 weeks

The policy conflicts - For example, the conflict between the pursuit of economic growth and inflation or the conflict between the pursuit of low unemployment and low inflation.
The Phillips Curve

Anderton Units 91 & 103
Maunder et al Chapter 17
Sloman Chapter 15

TOPIC 18: EXTERNALITIES

Unit 2 – 1 week

Private costs & benefits
External costs & benefits
Social cost and social benefit
Examples of both positive & negative externalities
Public Goods

Anderton Units 36 & 44
Maunder et al Chapter 10
Sloman Chapter 11

TOPIC 19: THE PRACTICAL APPLICATION OF EXTERNALITIES
Unit 2 – 1 week

Negative externalities
Road congestion
Pollution
Policies to deal with negative externalities

Anderton Units 36 & 37
Maunder et al Chapter 10
Griffiths & Wall Chapter 10
Sloman Chapter 11

Positive Externalities

Merit and demerit goods
Healthcare & education
The causes of market failure in these areas
Public transport provision

Maunder et al chapter 11
Griffiths & Wall Chapter 11 & 12
Sloman Chapter 11
Anderton Units 36 & 44

TOPIC 20: MONOPOLY
Unit 2 – 1 week

The reasons for monopoly
Barriers to entry
The effects on firms & consumers of monopoly
Regulation & control of monopoly

Anderton Unit 28
Maunder et al Chapter 22
Sloman Chapters 6.3 & 12.3

TOPIC 21: MARKET FAILURE
Unit 2 – 1 week

Externalities & monopoly as examples of market failure
The idea of government failure

Maunder et al Chapter 7
Sloman Chapter 11
Anderton Unit 37

A2 - Units 4-6

TOPIC 1: MARKET STRUCTURES I

Unit 4 – 3 weeks

KEY CONCEPTS AND IDEAS TO BE COVERED

Costs:

The law of diminishing returns

Total fixed costs

Total variable costs

Total costs

Average total costs

Total costs

Average total cost

Marginal cost

Average variable cost

Average fixed cost

Long run costs & Economies of scale

Total & Marginal revenue

Perfect competition:

Normal profit

Abnormal profit

Profit maximisation point

Short & long run equilibria

Assumptions & working of the model

Productive & allocative efficiency

TOPIC 2: MARKET STRUCTURES II

Unit 4 – 2 weeks

REFERENCES

Anderton Units 17, 18, 19 & 20

Maunder et al Chapter 20

Sloman Chapters 5.1, 5.2, 5.3, 5.4, 5.5

Anderton Units 27 & 34

Maunder et al Chapter 21

Sloman Chapters 5.6 & 6.2

Anderton Unit 28

Maunder Chapter 23

Sloman Chapter 7.1

Monopoly

Barriers to entry
Short & long run equilibria
Price discrimination
Predatory pricing
Limit pricing
Cost plus pricing

Anderton Unit 28
Maunder et al Chapter 22
Sloman Chapters 6.3, 7.3 & 8.4
Griffiths & Wall Chapter 9

Oligopoly

Interdependence
Kinked demand curve
Simple game theory & the prisoners' dilemma
Non-price competition - its nature & operation

Anderton Units 30 & 31
Maunder et al Chapter 23
Sloman Chapter 7.2
Griffiths & Wall Chapter 6

Contestability

The threat of effective competition as a restraint on the behaviour of firms
The importance of the lack of sunk costs

Anderton Unit 32
Sloman Unit 6.4

Market systems compared & alternative theories of the firm

Competition vs monopoly - The advantages & disadvantages of each market form

Anderton Unit 33
Sloman Chapter 8

TOPIC 3: THE GROWTH OF FIRMS AND MERGERS & TAKEOVERS

Unit 4 – 1 week

Entrepreneurship & the birth of firms
Mergers - motives & consequences
Multi-national companies

Anderton Unit 40
Sloman Chapter 8
Griffiths & Wall Chapters 4,5, 6

**TOPIC 4: COMPETITION
POLICY & PRIVATISED
INDUSTRY REGULATION**

Unit 4 – 1 week

Outline of UK & EU policy on competition & mergers

The strategy in practice - the belief in the virtues of the free market

The regulation of the privatised utilities & the role of the regulator as an imitator of competition

Yardstick competition

The RPI-X idea of regulation

Anderton Units 39 & 45
Maunder Chapter 27

Sloman Chapters 12.3 & 12.4
Griffiths & Wall Chapter 8

**TOPIC 5: THE SUPPLY OF AND
DEMAND FOR LABOUR**

Unit 4 – 1 week

Marginal revenue product theory

The demand for labour as a derived demand

Factors affecting the size of the working population – age distribution, birth & death rates, retirement ages, gender balance

Factors affecting the supply to a particular

occupation eg educational requirements; physical requirements.

Anderton Units 48 & 49
Maunder et al Chapter 24
Sloman Chapter 9

**TOPIC 6: WAGE
DETERMINATION, WAGE
DIFFERENTIALS AND
GOVERNMENT POLICY ON
THE LABOUR MARKET**

Unit 5 – 3 weeks

The role of different supply & demand factors in determining wage differentials including the importance of the elasticities of demand and of supply for labour

Discrimination on the grounds of gender and of ethnic origin and its effect on wage rates

The role of trade unions

The impact of the minimum wage and of the working time directive

Other government policies on the labour market

The effect on wages of a monopsonistic employer

Anderton Units 50, 51 & 52
Maunder et al Chapter 24
Sloman Chapter 9
Griffiths & Wall Chapter 22

TOPIC 7: THE EFFECTS OF AN AGEING POPULATION

Unit 5 – 1 week

The effects on public expenditure & tax revenue of an ageing population
The effects on the labour & products markets of an ageing population

Anderton Unit 53

TOPIC 8: THE DISTRIBUTION OF INCOME & THE LORENZ CURVE

Unit 5 – 1 week

The principal factors affecting the distribution of wealth and of income including inherited wealth, ownership of housing, state benefits, pensions, provision of free state services.

Anderton Units 43
Maunder et al Chapter 7
Sloman Chapter 10
Griffiths & Wall Chapter 23

The Lorenz curve

The poverty trap

Government policies to deal with poverty trap and inequality.

TOPIC 9: INTERNATIONAL TRADE

Unit 5 – 1 week

Further development of the reasons for international trade and the increasing trend of globalisation.
eg growth of multi-national companies and the free movement of capital.

Anderton Units 84, 85 & 88
Maunder et al Chapters 6 & 30
Sloman Chapter 23
Griffiths & Wall Chapter 26

Protectionism:

Tariffs, quotas & non-tariff barriers

Their effects and the increasing trend towards the reduction of tariff barriers

Trading blocs

The World Trade Organisation

TOPIC 10: EXCHANGE RATES & EUROPEAN MONETARY UNION

Unit 6 – 2 weeks

Fixed exchange rates :

Their operation and their advantages & disadvantages

Anderton Units 88, 97 & 98
Maunder et al Chapter 30

Sloman Chapters 14.2, 24 & 25
Griffiths & Wall Chapter 24

Floating exchange rates

Their operation and their advantages & disadvantages

Monetary Union

The arguments for and against monetary union within the EU

The effects of exchange rates on the macro-economy

TOPIC 11: THE BALANCE OF PAYMENTS

Unit 6 – 2 weeks

The different parts of the current account

The capital account

Inward investment by multi-national companies

Recent trends in the UK's trading position

Measures of international competitiveness and the

UK's relative competitiveness in world markets

Measures taken to try and increase UK competitiveness.

Anderton Units 86 & 96
Sloman Units 14.1 & 24

Maunder et al Chapter 30
Griffiths & Wall Chapter 25

Policies to cure a current account disequilibrium:

Exchange rate adjustment & the Marshall Lerner condition

Deflationary policies

Supply side policies

Protectionism considered in a modern context

The effects on the macro-economy of external shocks

TOPIC 12: PUBLIC EXPENDITURE & TAXATION

Unit 6 – 2 weeks

Taxation:

The different forms of direct & indirect taxation
taxation
Regressive & progressive taxation
The relative merits of direct & indirect taxation

Anderton Units 44 & 47
Maunder et al Chapters 7 & 29
Sloman Chapters 10.2 & 17
Griffiths & Wall Chapters 15 & 16

Public expenditure

Its size & composition
Changes in public expenditure in recent years

The Public Sector Borrowing Requirement

Its size and significance
The automatic stabilisers
Public sector surpluses

International comparisons of public finances

TOPIC 13: UNEMPLOYMENT, INFLATION & THE WORKINGS OF ECONOMIC POLICY

Unit 6 – 2 weeks

The Phillips curve both in the short run and the long run

Unemployment & Inflation in an EU context

Relative inflation & Unemployment rates in the countries of the EU and other major Western economies eg the USA

Anderton Units 91 & 103
Maunder et al Chapter 28
Sloman Chapters 20 & 21
Griffiths & Wall Chapter 27

The achievement of different policy objectives using fiscal, monetary & supply side policies

Note: With the exception of the Sloman book, all the above references are based on the editions of these books which existed before revised editions were produced in 2000, e.g., in the case of Anderton, the 2nd edition rather than the 3rd edition. The booklist on page 71 refers to the next recent editions of all of these books.

Scheme of Work for GCE AS Economics (8121) - An alternative approach by Quintin Brewer, The Alice Ottley School and Principal Examiner

Assumptions

- 1 This scheme of work is designed to be taught by one teacher but it could easily be adapted for two teachers.
- 2 Students will take the 3 AS units in June of the Lower Sixth (end of Year 12) and the 3 A2 units in June of the Upper Sixth (end of Year 13).

Rationale

Evidence from teachers' conferences suggests that many centres are likely to be working under Assumption 2. This makes it possible to integrate material from units 1-3 in the AS. In this scheme, therefore, the first unit taught will be unit 3. This has certain benefits:

- The material is immediately engaging i.e. the current state of the UK economy is an interesting and stimulating starting point
- The subject content is relatively straightforward
- It provides good possibilities for independent learning at the beginning of the course eg research on recent performance of the UK economy; research on methods of measuring key variables such as unemployment and the rate of inflation.
- It enables other key skills to be developed from the start eg making a presentation on the state of the UK economy, with the use of ICT
- It should be easy for students to move from basic macro analysis (AD/AS) to micro supply and demand analysis.

TERM 1	CONTENT
WEEKS 1-2 (Unit 3)	<p><i>The state of the economy:</i> Key indicators for the UK economy (using real data). Explanation of measurement and significance:</p> <ul style="list-style-type: none"> • Retail Price Index • Unemployment • Balance of Payments • GDP/Economic growth (plus PPFs from Unit 1)
WEEK 3-4 (Unit 3)	<p><i>How wealth is created:</i> Economic growth: causes Inter-country comparisons Who benefits and who suffers from economic growth GDP and living standards</p>
WEEK 5-7 (Unit 3)	<p><i>Determinants of the level of economic activity:</i> Factors influencing the level of aggregate demand: Consumption: e.g. interest rates Investment: e.g. expectations, interest rates, profits Government expenditure: e.g. level of economic activity Exports and imports: e.g. the exchange rate. Distinction between movements along, and shifts of, the AD curve.</p> <p>Factors influencing aggregate supply e.g. improvements in skills of the workforce. Distinction between movements along, and shifts of, the AS curve.</p>
WEEK 8-10 (Unit 3)	<p><i>Inflation and unemployment:</i> Costs, causes and effects</p> <p><i>Conflicts between economic objectives:</i> The Phillips Curve Growth and the Balance of Payments</p>
WEEK 11-13 (Unit 3)	<p><i>Policy solutions:</i> Use of AD/AS analysis to examine the effects of demand-side and supply-side policies on unemployment, inflation, the Balance of Payments and economic growth. Include reference to the multiplier effect</p>
WEEK 14	<p><i>Revision and test</i></p>

<p>TERMS 2 & 3</p> <p>WEEK 1-2 (Unit 1)</p> <p>WEEK 3-4 (Unit 1)</p> <p>WEEK 5-6 (Unit 1)</p> <p>WEEK 7-8 (Unit 1)</p> <p>WEEK 9-11 (Unit 2)</p> <p>WEEK 12 (Unit 2)</p>	<p><i>Scarcity:</i> Use of real examples to illustrate the basic economic problem in EU countries and in Eastern Europe. Scarcity and choice. Opportunity cost. Specialisation and trade. The benefits of trade including reference to the law of comparative advantage. How trade might enable firms to benefit from economies of scale.</p> <p><i>Introduction to the free market:</i> Use of topical case studies to examine causes of price changes e.g. commodities. The microeconomic toolkit: Demand: conditions of demand and movements along the demand curve Supply: conditions of supply and movements along the supply curve Interaction of supply and demand and explanation of price changes. The impact on supply and price of entry and exit of firms into and out of the market.</p> <p><i>Elasticities:</i> Measurement, determinants, interpretation and significance of elasticity of supply; price elasticity of demand; income elasticity of demand and cross elasticity of demand. Consumer and producer surplus.</p> <p><i>Applications of supply and demand analysis:</i> Housing, agriculture, exchange rates.</p> <p><i>Market failure:</i> Introduction: case study of a topical example e.g. analysis of reasons for market failure in health care including the distinction between private and external benefits. Distinction between private and external costs. Application e.g. road congestion. Monopoly. Public goods.</p> <p><i>Policies to deal with market failure:</i> Taxation and subsidies Regulation, Extension of property rights; Tradeable permits.</p>
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<p>WEEK 13 (Units 1/2)</p>	<p><i>Other reasons for government intervention in markets:</i> Case study in agriculture. Government failure.</p>
<p>WEEK 14-15 (Units 1/2)</p>	<p><i>Overview/Revision of Units 1 & 2:</i> The advantages and disadvantages of the free market economy. Transition of Eastern European economies away from central planning.</p>
<p>WEEK 16</p>	<p><i>Revision</i></p>

Scheme of work for AS/Advanced GCE Economics (8121/9121) produced by Peter Newton-Lewis, Worcester Royal Grammar School

Basic assumptions

- 1 The whole course is taught by 2 teachers. Option 5A is chosen.
- 2 We calculated that we had about 32 weeks to deliver Units 1, 2, 3 and assumed 28 weeks for Units 4, 5, 6, (including crucially two/three weeks after the AS exam).
- 3 Given the weighting of the units, we agreed that Unit 3 and Unit 6 needed more time allocated.
- 4 We are planning to timetable 4 lessons of 35 minutes and 4 lessons of 40 minutes for each AS/A2 chosen, totalling 5 hours per subject per week.

Our planning also involved time allocated for developing exam skills in “supported choice questions” in data response and in structured essay work. Ideally, time will be available for Unit tests, for a possible subject - related visit and for computer-based simulations in line for key skills.

We would expect to deliver Economics on a 4/4 basis. Sometimes timetable constraints require three teachers so we have had to design a delivery system that will allow us to operate a 4/2/2 allocation.

The first two Units are obviously closely connected and in effect sequential so we could not teach each in parallel. This meant that we had to divide each Unit into balanced, almost self-contained “modules”.

In planning our delivery we also had to cross-check the specification with the subject criteria, the specimen papers and the existing A level syllabus to check what was “in” and what was “out”, e.g. Economic Rent?

Teaching Unit 1 Markets : how they work

Time 9 weeks plus one further week for key skills tests, “supported choice questions”, data response, visit (?), ICT simulation/task

Teacher 1

Philosophy and Concepts

4 lessons 35-40 minutes

Weeks 1-4

Introduction
Definition of subject
Positive and normative statements
Scarcity - Opportunity Cost
Utility
Specialisation - Division of Labour
Production Possibilities
Economies of Scale/Average cost-curves

Weeks 5-9

Price Mechanism as a concept
Free Market economies
Entry and Exit of firms
Impact of new suppliers/new prices
Advantages/Disadvantages
Command economies
Advantages/Disadvantages
Mixed Economies
Application to real world
Which mixed economy?
Problems of transition in Eastern Europe

Teacher 2

Price Theory

4 lessons x 35/40 minutes

Weeks 1-2

Demand - Laws - Factors affecting and determining
Derivation of curves
Shifts, Extension, Contractions
Supply - As above
Price determination

Weeks 3-4

Consumer and producer surpluses
Elasticity : PED, ES, XED, YED

Weeks 5-6

PED, ES, XED, YED
Normal and inferior goods
Applying the price mechanism
Commodities : Housing : Exchange Rates and Labour

Weeks 7-8

Government intervention in markets
e.g. (i) agriculture (minimum prices, buffer stocks)
(ii) impact/incidence of taxes and subsidies and
(iii) labour e.g. minimum wage

Week 9

Advantages of international trade/comparative advantage
Gains from trade

Extension work/activities in week 10?

Note: Drawing out the price mechanism at about the same time, from two different perspectives.

Teaching Unit 2 Markets : why they fail

Time 7 weeks, plus one further week for exam skills, key skills, ICT simulation task, test.

Teacher 1

Misallocation of the Market

4 lessons x 35/40 minutes

Weeks 1-4

Meaning of Market Failure
Optimality
Monopoly and its implications
the failure of competition
Government remedies
Regulation, reducing barriers
Encouraging enterprise

Weeks 5-7

Public, Merit and De-merit goods
Defined - Examples. Is this market failure?
Government involvement/explained
e.g. health, education
Remedies e.g. taxation, subsidies

Teacher 2

Misallocation of production

4 lessons x 35/40 minutes

Weeks 1-5 or 6

Externalities Defined
Social, external costs
Social, external benefits
Diagrams - Effects
Examples : transport and the environment
Remedies : by market e.g. coase and by
government e.g. taxation, property rights and
tradeable permits
Subsidies to producers/consumers (effect on
market exit)

Weeks 6 and 7

Government failure/involvement
Provision of public transport
Can it affect economic efficiency
e.g. agricultural stabilisation
Administration costs

Teaching Unit 3 Managing the Economy

The content for this Unit looks quite extensive. Until we know better, we will allocate about 14 weeks for the “Macro” course. With experience, we may find that Unit 3 could be taught as one half of the AS Course and Units 1 and 2 as consecutive “modules” taught by the second colleague.

Teacher 1

4 lessons x 35/40 minutes

Weeks 1-4

The Macro economy
Measuring economic performance
Policy objectives in an EU context
GDP and living standards
Limitations of GDP
Inequality and redistribution
Alternative measures of living standards

Weeks 5-8

Environmental concern
Real and nominal
Economic growth. Why does it differ?
Desirability and costs of growth
Effects of growth
Comparing/contrasting developed and developing countries' growth

Weeks 9-11

Balance of Payments
Specifically current account

Weeks 12-14

Disequilibrium Effects
Conflicts between objectives: growth and the balance of payments
Equilibrium

Policy solutions discussed :
Supply-side and Demand-side
Comparison of relative merits
Fiscal policy
Monetary policy
Exchange - rates
Impacts and effects of policy on Growth,
Living Standards, Balance of Payments

Teacher 2

4 lessons x 35/40 minutes

Weeks 1-6

Macro theory

Inflation : Causes, costs and effects of inflation
RPI and its limitations
Inflation objectives
Unemployment
Costs, causes, effects of unemployment
Alternative approaches to measuring unemployment
Unemployment objectives
Conflicts/trade-off between inflation and unemployment
Phillips curve

Weeks 7-10

AS-AD Model
Aggregate Demand and its components (CIGX-M)
Aggregate supply : short and long run
Factors affecting size of AS-AD
Different views of curve shape
Multiplier : description
Shifts, extensions, contractions
Impact of technology, labour quality
Application to price level
Causes of change in AS-AD
Equilibrium
Application to UK government policy

Weeks 1-14

Policy solutions
Supply-side and Demand-side
Fiscal policy
Monetary policy
Exchange rates
Impacts of each on inflation, unemployment,

AS-AD

Relationship to inflation, unemployment,
aggregate demand and supply

It is possible to consider teaching AS-AD independently. For a “Macro” specialist, Unit 3 could be taught opposite Units 1 and 2 with a consequent change in the implementation of the specification. Any imbalance in the weighting and timing could be balanced by how the end of unit tests and activities are implemented.

Teaching the A2 Edexcel Economics (9121)

The 'A2' specification will take many of us a long time to adjust to. Unit 6 involves a possible re-iteration of some of the AS ideas. What is taught in Unit 6 may well depend very much on what aspects of theory were covered in depth in the AS course. Units 4 and 5 seemed to us very difficult to "break-down" into subsets. We concluded that in a 4-4 allocation that they could be taught by different colleagues. The problem really involved the subdivision of Unit 6 into discrete teachable blocks. We have agreed a compromise. Much will also depend upon whether we will have to teach the A2 course on 4 – 2 – 2 allocation. The compromise on this, we feel, would be to teach Unit 6 as one half of the whole course, given that there is a lot in it! We felt we may be able to cope with Units 4 and 5 taught in a "double" every week for the assumed 28 weeks available (including at least two weeks after the AS Unit exams at the end of the first year).

An alternative scenario might be to teach Unit 6 first, taking about 14 weeks to complete.

One real complication for us was the overlap with work covered in Units 1 and 3. Our planning review again involved a discussion of whether to include some coverage of economics seemingly omitted from the new specification e.g. financial economics, some monetary theory, economic rent and industrial structure.

Teaching Unit 4 : Industrial Economics : Teacher 1**4 lessons**

We decided that this Unit could be covered in 11 weeks teaching, assuming 4 lessons a week totalling about 2½ hours per week. A week could also be made available for extension work on exam techniques especially on “supported choice questions”. Other activities might include tests, visits and ICT applications. This Unit could commence in June/July of AS course.

<i>1 week</i>	Birth and growth of firms Business motives : Alternative theories, pricing and support
Theory of the Firm: <i>4 weeks</i>	Perfect competition : Pricing and output Productive and allocative efficiency Monopoly ; pricing and output Comparisons with efficiency How monopolies are created Imperfect competition model Oligopoly Contrast the Pricing and output decisions/ behaviour Conditions for discrimination
<i>1 week</i>	Links with producer and consumer surpluses Cross Elasticity
<i>1 week</i>	Barriers to entry and exit - Sunk costs Contestable markets : The threat of competition Pricing and non-pricing strategies : Collusion - Cartels
<i>1 week</i>	Internal and external growth of firms Integration - Mergers
<i>1 week</i>	Rôle of transnational corporations
<i>1 week</i>	Competition policy : Effects of measures to enhance competition
<i>1 week</i>	Regulation of privatised industries : aims and objectives. Regulatory capture?
<i>1 week for extension strategies = 12 weeks</i>	

Teaching Unit 5A Labour Markets

Again, assuming 11 teaching weeks of 4 lessons (about 2½ hours per week). commencing in June/July following the AS course. Our planning includes one week for enhancement/extension work. There is a lot to do in 11 weeks!

<i>3 weeks</i>	Supply of labour. Factors affecting the working population. Work-leisure trade-off. Income and substitution effects. Demand for labour. Derived demand Elasticity Marginal revenue productivity theory Wage determination - interaction of supply and demand Wage rates - Differentials - Economic and non-economic reasons
<i>1 week</i>	Trade Unions Effect on wages and employment New unionism Recognition
<i>2 weeks</i>	Government intervention Legislation e.g. equal pay working time directive, minimum wage Effects of government intervention e.g. on flexibility and mobility in the labour force (geographical/occupational) Monopsony - Effect on wages and employment of a single buyer
<i>1 week</i>	Unemployment and labour market imperfections Unemployment in practice : Structure, duration and incidence
<i>2 weeks</i>	Government policies: Training; New Deal/Work fare: Benefits Changing UK labour market Comparisons with Europe Participation rates: New technology: Migration Regional policy Social chapter
<i>2 weeks</i>	Significance of ageing population on flexibility and public finances Distribution of income: Inequality: Causes: Lorenz curves Changes in distribution: Income data/deciles quintiles: Poverty: Impact of fiscal policy Minimum wage : Benefits

Teaching Unit 6: The UK in the global economy

We consider that 15 weeks is all the time that is available to teach this key Unit. The theme is cohesive but it is evident that we will have to start collecting material now to supplement text material. This will be taught for 8 periods a week (maximum 5 hours) and will be split rather arbitrarily for a 4 - 4 teaching load.

Teacher 1

International Economics

4 lessons x 35/40 minutes

Weeks 1-2

Factors contributing to globalisation
Interdependence : Trade : Falling barriers
Capital mobility : MNC's, Technology
Internet WTO

Weeks 3-4

Importance of trade/exchange
Protectionism vs liberalisation
Reasons/Policies e.g. CAP
Conflict between trading blocs

Weeks 5-7

Rôle of WTO
Balance of Payments
Composition : Recent Trends

Weeks 8-9

Disequilibrium : Policy remedies evaluated
International competitiveness
Changing UK situation : Reasons
Factors affecting : Deregulation
Inward Investment. Flexible Labour

Weeks 10-12

Exchange Rate Systems
Exchange rate determination : theory and practice : Factors affecting
Exchange rate as a policy instrument
Effects on the economy

Teacher 2

Global performance

4 lessons x 35/40 minutes

Weeks 1-5

Public expenditure : Size : Composition
Fiscal policy
Merits and effects of Direct and Indirect
Borrowing and debt repayment
Factors influencing. Opportunity cost
Comparing public sectors

Week 6

Fiscal, monetary and supply-side as policy
Instruments
Relative merits and effects
Problems of data and planning

Weeks 7-8

Unemployment and inflation in an EU and global context
Causes and consequences

Weeks 9-10

NAIRU - Relationship to output
Applied to AS-AD : Long/Short run

Weeks 11-12

EMU : Costs and benefits of union
Implications/Effects

The timetable above has been planned for 12 weeks leaving 3 weeks for extension work for this Unit. This could be integrated into the schedule with a week between sections e.g. between trade and the balance of payments. This will allow more concentrated extension work on topics and on exam skills. This would be ideal for evaluation of performance. It ensures an element of teacher flexibility to allow for discussion of current economic events. It might even allow teachers to consider more group-work activities, research, debate, ICT simulations or even tests! At least a 27/28 week course ought to allow enough time for revision and for working on exam techniques.

Scheme of work (3) for AS/Advanced GCE Economics (8121/9121) produced by Nick O’Flynn, Oxted County School

This scheme of work is designed for two teachers, with 5 hours’ teaching time in year 12 and 4 hours teaching time in year 13. Although the model is designed for exams to be taken at the end of June in years 12 and 13, it could be redesigned to take the January session into account.

AS ECONOMICS Y12	
TERM 1 TEACHER A: UNITS 1 AND 2 (3 x 1 hour)	TEACHER B: UNIT 3 (2 x 1 hour)
<p>THE PURPOSE OF ECONOMICS</p> <p>The objective of economics is to increase economic welfare. How can this be achieved. The problems (scarcity, choice PPF comparative advantage etc)</p>	<p>What is meant by the term ‘Economy’ and how to judge performance of an economy, via its economic objectives. How these objectives are measured and the reliability of their measurement.</p>
<p>ECONOMIC SYSTEMS</p> <p>The choices available to economies regarding the Public V Private debate. Problems of transition from Planned to Free Market economy.</p>	<p>Introduction to AD + AS model of how the economy operates.</p>
<p>HOW FREE MARKETS WORK</p> <p>How resource allocation works in a free market. D+S analysis, shifts and movement along the D+S curves. Elasticities of D+ S. Application of D+ S eg. in Housing, transport and labour markets.</p>	<p>Causes of changes in the Economy in the Short run. Investigation into the role of AD during the Trade Cycle (assuming short run AS) and factors that influence its components. The effect these changes have on the equilibrium level of real output.</p>
TERM 2 AND 3	
<p>WHY MARKETS FAIL</p> <p>The role of the price mechanism in free markets and efficiency. Introduction to the need for state intervention. Externalities, public goods, mixed goods, merit goods, monopoly and price instability.</p>	<p>AS AND HOW THE ECONOMY WORKS IN THE LONG RUN</p>
<p>STATE INTERVENTION AND ITS EFFECTS</p> <p>Investigate case studies on market failure eg. pollution, education, commodity agreements, monopolies, etc. Examine causes and consequences (winners/losers). Forms of government intervention - regulation, taxation, subsidies, etc. and their effect on efficiency. Concept of Government failure.</p>	<p>MACRO ECONOMIC POLICY ISSUES</p> <p>The causes of inflation, unemployment, inequality, BoffP disequilibrium and the conflict between objectives. The use of and the effect of demand side and supply side instruments to achieve economic objectives.</p>
4 Weeks Revision	

A2 ECONOMICS Y12/I3

TERM 3 TEACHER A: units 5 + 6 (2 x 1 hour)		TEACHER B: unit 6 (2 x 1 hour)	
THE ROLE OF THE FIRM	Why firms exist and their role in a market economy.	INTERNATIONAL EXCHANGE	The reasons for international trade and the factors that have led to globalisation and the rise of the MNC. Examination of the significance of these changes.
WHY AND HOW FIRMS GROW	Examination of the reasons why firms want to grow, methods by which firms achieve growth and why some firms remain small. The role of the MNC in the global market.		
TERM 4			
DETERMINATION OF MARKET STRUCTURES	Factors that determine market structure eg. barriers to entry and exit, product differentiation and contestable markets. Introduction to different market structures. Measures of market concentration.	FREE TRADE V PROTECTIONISM	Reason for protectionism and its consequence. The role of international institutions such as EU and WTO in promoting free trade.
PRICING AND OUTPUT DECISIONS IN A PERFECT MARKET	Profit maximisation objective and the perfectly competitive market. Price output and efficiency in a free market. The concepts of allocative and productive efficiency.	INTERNATIONAL COMPETITIVENESS	Examination of UK's BofP and recent trends in its trade performance. An appraisal of the UK's competitive position and factors which could explain this position. eg. how relative unit labour costs.
PRICING AND OUTPUT DECISIONS IN IMPERFECT MARKETS	The performance of firms in the imperfect market ie pricing and non pricing strategies and alternative objectives to profit maximisation. How these actions will affect consumers, producers and efficiency.	POLICY ISSUES	Evaluation of policies to improve international competitiveness and BofP disequilibrium
TERM 5			
THE ROLE OF THE STATE AND THE FIRM	Examination of UK and EU government policies to promote competition in the product market.	EXCHANGE RATES	Determination of exchange rates and the effect of their changes on the economy. Free V Fixed Exchange rates and the costs and benefits of EMU.
WAGES AND THE FREE MARKET	D+S analysis of determination of wages in a free market. Factors that cause shifts in D+S and influence the elasticity of D+S.	PUBLIC EXPENDITURE AND TAXATION	Examine the factors that have influenced the size and composition of public expenditure and taxation and the effect of these changes on difference households and the UK economy. International comparisons of Public finance.
WAGES AND THE IMPERFECT MARKET	Factors that impede the working of the free market. Barriers to entry/exits; the role of trade unions; monopoly power and discrimination.		

	LABOUR MARKET ISSUES	Analysis of major trends in labour market ie unemployment, labour flexibility, ageing population and inequality in income and wealth. Examine causes and consequences.	MACRO MANAGEMENT PROBLEMS	Appraise the difficulties in achieving economic objectives. Practical problems, eg difficulties of cutting public spending; technical problems, eg time lags and theoretical problems, eg trade off between inflation and unemployment (NAIRU). Examine NAIRU in EU context.
Easter				
5 WEEKS REVISION				

Schemes of work for Advanced GCE Economics, Units 5A (Labour Markets) and 5B (Economic Development) produced by Dr Roy Bowden, Churcher's College

UNIT 5A - LABOUR MARKETS

The scheme is based on a ten-week period of 8 x 40 minute periods per week.
Words in bold type refer to specification content headings for unit 5A.

WEEK 1 **The supply of, and demand for, labour.** There are some good linkages here with the AS units: the labour market can be used to illustrate the application of supply and demand analysis, together with elasticity (unit 1) with analysis able to be taken further in this later module. Consideration of **the income/substitution effects** can be related closely to the work done on supply-side policies (unit 3) and also be relevant to that part of the synoptic unit.

Basic References Include:

Dataset'99 (charts 95-118,175-184); Maunder Ch 12/24;
Simpson/Paterson Ch1; Core Unit5/10/15;
Anderton Units 48,49,52,53; Parkin/King Ch14,29;
Begg Ch11; Mackintosh et al Ch 21; BES Autumn'96 (section 6)

WEEK 2 The use of supply and demand analysis can now be extended into explaining **wage determination in competitive markets** and to some extent will be useful in the consideration of **wage differentials**. Given the need to appraise the qualities, weaknesses, general characteristics of various groups within the labour market, the relevance of some of the supply-side work in unit 3 will become clearer to students e.g. how education/training may strengthen the position of some in the labour market. Teachers may also wish to refer back to one of the opening issues of unit 1 - specialisation and division of labour.

Basic References Include

Dataset'99 (charts 119-136); BES Aut'97(sect.6);
BESSpr'96 (sect 6); JER Sept'97(wage inequality);
Maunder Ch 24;Simpson/Paterson Ch 2; Core Unit 15;
Anderton Unit 50; Parkin/King pp138-40;

WEEK 3 **The role of trade unions** can be taken as a strong example of how markets can become imperfect but considering also the idea that they might very well achieve a balancing of the power of employers and employees to allow wage bargaining to be a much more meaningful exercise. It would certainly be pertinent at this point to consider trade unions' possible significance in the **case of monopsony**. A similarly balanced view needs also to be taken of their impact on employment. Their impact on wages and therefore possibly inflation provides links with unit 3, as does the reduction of their powers as part of supply-side policies. Their impact on efficiency and competitiveness would contribute to the synopticity of unit 6.

Basic References Include:

Dataset'99 (charts 151-162); Annual Review Vol 11 Ch 6;
Maunder pp434-7; Simpson/Paterson pp15-6 Ch 3;
Core pp174-6, 337-9; Anderton Unit 51;
Parkin/King pp411-6; Begg pp179-181, Ch 12-3;
Griffiths/Wall Ch 15; Mackintosh pp595-7,719-22,735-6;

WEEK 4 When considering **government intervention in labour markets** support can be drawn from the work done in unit 1 and at the end of unit 2 (government failure) in that its work in the labour market may not always have the results intended or, if it does, may also lead to unanticipated consequences e.g. the protection of labour is an obvious key theme in some of the legislation but the potential impact on labour costs may be a concern not given full consideration. In this sense there are links, for example, with the work done on macro-economic objectives of unit 3 and with issues to be covered in unit 6. The issue of linkage of labour market policy and supply-side considerations seems better placed in weeks 5-6 (see below). Clearly, careful consideration needs to be given to which aspects of government will be dealt with here and which in weeks 5-6.

Basic References Include:

BES Spr'97 (sect 6), Spr'99 (sect 11); ER April'97 (min wage);
Maunder pp230-4; Simpson/Paterson Ch 2/4; Core Unit 5;
Anderton Unit 52; Parkin/King pp138-41, 416-25;
Annual Review Vol 10/16; Begg Ch 12-2;
Griffiths/Wall pp335, 662;

WEEKS 5-6 A good starting point in looking at **unemployment and labour market imperfections** would be to make reference back to unit 3 and the macro-economic objective of full employment. This could lead on to a discussion of the problems in achieving this goal, thus allowing analysis of the structure of unemployment and other aspects of the unemployment picture. The work of week 4 can then be extended with emphasis on the importance of government's role in securing a faster rate of job creation/

unemployment reduction/better quality of labour with particular reference to **government policies** intended to **influence geographical and occupational mobility**. Again the linkages with units 3 and 6 need to be noted.

Possible References Include:

Annual Review Vol 16 (Brooksbank); EBEA Aut'95;
ER (data supp) Sept'99; ER Sept'96, Feb'98;
Simpson/Paterson Ch6; Maunder Ch12; Core Unit 10;
Anderton Units 89-90; Parkin/King Ch21, 29;
Begg Ch27; Griffiths/Wall Ch23; Dataset'99 (charts 83-94)

WEEK 7 It is important to convey to students the quite rapid pace of change occurring in the labour market - **the changing structure and flexibility in both the UK and the EU**. This is another opportunity to make students aware of the European theme within the specification e.g. references can be made back to unit 3 (macro-economic objectives in the EU context) and to unit 4 (EU competition policy) and will be relevant to some aspects of the synoptic unit. It would then be desirable to make reference at EU level to **ageing populations in developed economies**.

Possible References Include:

ER (Sept'99); Annual Review Vol 16 (Nolan);
Annual Review Vol 10 (ch4); BES Spr'98 (sect 6,10)
Spr'99 (sect 6,10), Aut'99 (sect 6,10); Maunder 221-3;
Simpson/Paterson Ch 7/8; Parkin/King pp842-7;
Griffiths/Wall pp543-4; Anderton Unit53; Glanville Unit 22

WEEKS 8-9 When looking at income distribution and associated issues it may be appropriate to first consider the **measurement of inequality**, with reference to the **Lorenz Curve** and **aggregate/disaggregated data**. This allows a logical development of references in unit 3 to income distribution as a macro-economic objective and allow greater understanding amongst students of the analysis of **changes in the distribution of income and wealth and factors influencing the distribution of income and wealth** in this unit. There is opportunity for reference back to earlier work in this module e.g. the government's role, to units 1 and 3 and for preparing for part of the synoptic unit.

Basic References Include: see week 10

WEEK 10 A study of **policy issues associated with poverty and inequality** allows an effective conclusion to be drawn to this unit in drawing on some of the issues considered in earlier weeks. Through a consideration of incentives, a link can be made to supply-side references in unit 3 and to the role of

government in unit 1. Again, the groundwork being laid for unit 6 with its reference to government policy and income distribution.

Basic References Include:

Dataset'99 (charts 185-188); ER (data supp) Sept'99;
Maunder Ch 9/12; Anderton Unit 102;
Parkin/King Ch14, 18; Begg Ch 13-10;
Griffiths/Wall Ch 14, pp 412-20, 711-13;
Mackintosh Ch 22/23

UNIT 5B - ECONOMIC DEVELOPMENT

The scheme is based on a 10-week period assuming 8 x 40 minute periods per week. Words in bold type refer to specification content headings for unit 5B.

WEEK 1 It will be important for students to be aware of the characteristics common to many LCD's but at the outset to be aware also of the diversity of experience amongst these countries. The **Indicators of Development** will provide a basis on which to build this understanding. A consideration of **Absolute and Relative Poverty** will be central to this section, allowing some comparisons to be drawn with the advanced world to help emphasise for students the contrasting experiences. It would also be appropriate here to clarify the distinction between **growth** and **development**.

Basic References Include:

Nixson EBEA, 1995 no.10; Nixson Annual Review vol. 10;
HDI: ER Data Supp: 1998; Poverty: ER Data Supp.1999;
Poverty: ER April 1999; Nixson 1996 Ch 1&2;
Griffiths/Wall Ch.30; Maunder Ch 31;
Anderton Unit 104; Todaro Ch2/5;
Glanville Units 1-8 Allen/Thomas Ch 13

WEEK 2 **The causes of economic growth and its significance for development.** This section allows the work on economic growth in Unit 3 to be built upon with special reference to the experience of LCD's and will cause students also to consider the particular difficulties developing countries face in the light of the work of week 1. The specification's requirement for government intervention to be appraised gives the opportunity for the role of government in the advanced and developing countries to be compared. Again, building on week 1, the contribution of growth to development can be considered.

Basic References Include:

Glanville Units 14/15; Todaro Ch 3/4; Begg Ch 30;
Parkin Ch 36; Allen & Thomas Ch 31; Anderton Unit 99;
Maunder Ch26; ER Nov 1997(Africa);
ER Feb 1997(Tiger Economies)

WEEK 3 Consideration of the varying experiences of developing countries and **the differences between them** will provide some preparation for the synoptic Unit 6 and again reflects some of the work covered in Unit 3. Good opportunities for case studies here e.g. contrasting one of the poorest African countries with one success story from each of Latin America and Asia. Where appropriate choices are made for Asia and Latin America

some contrast can be drawn in terms of growth experiences and difficulties encountered.

Basic References Include:

ER references for week 2; EBEA Summer 1999: China;
Todaro case studies: pp129, 177, 179, 521, 559;
Oxfam Publications (various case studies)

WEEK 4 A consideration of the **constraints on economic growth** allows some of the least developed countries to be brought to centre-stage. Some of the obstacles allow the teacher to build upon some of the micro-economic work in unit 1 (e.g. elasticity in relation to primary producers). Similarly, an assessment of the possible **costs of economic growth** will take teachers back to relevant work from unit 2.

Basic References Include:

Glanville Units 16/17;Maunder Ch 26;
Anderton Unit 100;Begg Ch 30; Griffiths/Wall Ch 10;
Mackintosh Ch 27;ER Sept 1998(sustainable development);
Core: Unit 14; Allen/Thomas Ch 5;

WEEKS 5-7 The scheme devotes three weeks to the study of **development strategies**. This would allow teachers, as a precursor to looking at the sectors cited in the specification, to give some introductory ideas on development strategies e.g. the Big-Push view, Hirschman's ideas on Unbalanced Growth and Linkages. Strategies for **agriculture, industry and tourism** need to be considered in the light of what will have been covered already in earlier weeks of this scheme and in the AS units, eg a strategy for tourism which included control of potential external costs but also development of the external benefits; a strategy for some countries which allows exploitation of comparative advantage (as explored in unit 1).

Basic References Include:

Core: Unit 14; Nixon Ch 3; Todaro Ch 3/9/18; Glanville Unit 25;
Nixon Ch 7; Allen/Thomas pp118-124,Ch 20; Begg Ch 36;
Oxfam Publishing: Country Profiles; Anderton Unit 107

WEEKS 8-9 **Private Sector (MNC)/Government Finance**. Unit 3 will have given students some idea of the financial role of government as it occurs in the UK through fiscal policy. This can now be extended to a consideration of what advanced countries' governments can do in the international arena (ODA, writing-off debts) and can also be linked to how all this might facilitate/hinder the execution of the strategies covered in weeks 5-7. Evaluation would allow some comparison with a policy of trade-promotion. Note that government finance issues and the role of MNCs are returned to in the synoptic Unit 6.

Some Basic References:

ER Sept 1998; ER Nov 1999 (Bangladesh); ER Feb 1999;
EBEA Sum 1996; Glanville Units 29-33; Todaro Ch 14/15;
Griffiths/Wall Ch 30; Nixson Ch9/10; Maunder Ch 31;
Mackintosh Ch 12

WEEK 10

This part of the scheme will continue the theme of **Sources of External Finance** with reference to **IMF/IBRD** and **Structural Adjustment Policies**. Consideration can be given to the issue of development strategies (weeks 5-7), sometimes and importantly having to be put into the context of IMF/IBRD involvement in a country's domestic policies and the degree of help being given. Links can also be made with the work of the **WTO** in Unit 6. The 'synoptic' nature of **SAPs** in the context of Unit 5B is also worth emphasising to students e.g. the impact on some of the development indicators covered in week 1; the potential impact on the anticipated success of the strategies studied in weeks 5-7. In this sense it is a good topic on which to conclude the work for 5B.

Some Basic References:

Griffiths/Wall Ch30; Todaro Ch14/17;
SAPs Allen/Thomas Ch 11/15; Oxfam Publications: Woodward
1998; Griffiths/Wall pp727-30; BES Aut'99 (sect 9)

REFERENCES CITED IN SCHEME OF WORK FOR UNIT 5

OPTIONS A AND B:

Allen T, Thomas A	Poverty and Development 1990s	OUP	0-19-877331-5
Anderton A	Economics (2 nd ed)	Causeway	1-873929-37-4
Begg D et al	Economics (4 th ed)	McGraw-Hill	0-07-707831-4
Glanville A	Introduction to Development Economics	Glanville	0-9524746-0-3
Griffiths A, Wall S	Applied Economics (8 th ed)	Longman	0-582-41454-7
MacKintosh M and Brown V et al (eds)	Economics and Changing Economies	Thomson	0-412-62840-6
Maunder P et al	Economics Explained (3 rd ed)	Collins	0-00-327503-5
Nixon F	Development Economics	Heinemann	0-435-33033-0
Parkin M, King D	Economics (2 nd ed)	Addison-Wesley	0-201-59397-1
Simpson L, Paterson I	The UK Labour Market	Heinemann	0-435-33030-6
Todaro M	Economic Development (6 th ed)	Longman	0-582-30257-9

ALSO:

Core Economics, Heinemann, 1995, 0-435-33101-9
16-19 Project Dataset, 1999, Trigon

REFERENCE MADE TO:

Oxfam Publishing Mail Order, Bournemouth Book Centre, PO Box 1496,
Parkstone, Dorset, BH12 3YD, Tel: 01202 712933

PERIODICALS:

BES = British Economy Survey;
EBEA = Journal of the Economics and Business Education Association;
ER = Economic Review;
Annual Review = Developments in Economics;

An Annual Review (Causeway)

SECTION 4 – READING LIST, RESOURCES AND WEBSITES

Reading List and Resources

The specification approved by QCA contained a selected list of reading materials that cover the requirements of the AS and A2 specifications (pp.27-28). As promised, what follows is a longer list of suggested materials.

Texts

Anderton, A.,	<i>Economics</i> (Third edition)	(Causeway Press, 2000) ISBN 1 902796 10 1
Anderton, A.,	<i>Economics AS Level</i>	(Causeway Press, 2000) ISBN 1 902796 12 8
Anderton, A.,	<i>The Students' Economy in Focus 1997/98</i>	(Causeway Press, 1998). ISBN 1 873929 38 2
Atkinson, G.B.J.,	<i>Economics: Themes and Perspectives</i>	(2 nd edition) (Causeway Press, 1997). ISBN 1 873929 27 7.
Beardshaw, J. et al.,	<i>Economics: A Student's Guide</i> (4 th edition)	(Pitman, 1998). ISBN 0582 303486.
Davies, B. et al.,	<i>Investigating Economics</i>	(Macmillan, 1996). ISBN 0 333 63808 5.
Grant, S.& Vidler, C,	<i>Economics in Context</i>	(Heinemann, June 2000) ISBN 435 33111 6.
Maunder P. et al.,	<i>Economics Explained</i> . Revised Third Ed	(Collins, June 2000). ISSN 0 00 327758 5.

Reference Texts

The reference sources listed here will contain material that is in greater depth than is needed for AS/A2 but nonetheless some sections may be felt of considerable value.

Begg, D. et al.,	<i>Economics</i>	(McGraw Hill, 2000). ISBN 0 07709615 0.
Case, K.E. et al.,	<i>Economics</i>	(Prentice Hall Europe, 1999). ISBN 0 13 095815 8.
Lipsey, R.G., Crystal, K.A.,	<i>Principles of Economics</i> , 9th Edition	(OUP, 1999). ISBN 0 19 877588 1.

- Parkin, M., *Economics* (Pearson Education, 2000). ISBN 0201 59608 3.
- Sexton, R., *Exploring Economics* (Dryden Press, 1999). ISSN 0 03 018329 4.
- Sloman, J., *Economics*, 4th Ed (Pearson Education, 2000). ISBN 0 13 085342 9.
- Stiglitz, J.E., *Economics* (W.W. Norton, 2000).
Driffill, J., ISBN 0 393 97584 3.

Sources on particular aspects of economics corresponding to parts of the specifications

- Allen, T., Thomas, A. (eds), *Poverty and Development in the 1990s* (Oxford University Press, 1992). ISBN 0 19877331 5.

- Atkinson, B. (ed.), *Applied Economics* (Macmillan, 1998). ISBN 0 333 67382 4.

- Atkinson, G.B.J. (ed.), *Developments in Economics*.

An annual volume that reviews about eight topics outlining the latest developments in the subject and policy issues in a loose leaf format suitable for photocopying. Volume 16 was published in April 2000. ISBN 1 902796 08 X.

- Cook, G., *The Single European Currency* (Hidcote Press, 60 Mill Rise, Swanland HU14 3PW, 2000) ISBN 1 898837 45 7.

- Cook, G., *The Student Guide to the Economy*

Economics Update 2000 (Sterling Books, 32 Shirley Road, Leicester LE2 3LJ, 2000). A 45pp publication reviewing macroeconomic and international issues containing many illustrative charts.

- Cramp, P., *Product and Labour Markets* (Anforme Ltd, 1997). ISBN 0 907529 42 9.

- Cramp, P., *Understanding Economic Data* (Anforme Ltd, 2000). A guide for students on handling economic data with particular reference to data response questions. ISBN 0 907529 56 9.

- Curwen, P., *Understanding the Economy*, 3rd edition (MacMillan, 1994). ISSN 0 333 61526 3.

- Dataset*, Trigon Publishing, 6 Sermon Road, Winchester, SO22 5NU.
Annual publication of charts and graphs on a number of economics issues. There is no ISBN.
- Glanville, A., *Introduction to Development Economics* (1995).
Available direct from the author: 31 Hobson Road, Summertown, Oxford OX2 7JX.
- Griffiths, A. & Hall, S., *Applied Economics*, 8th Edition (Longman, 1999).
ISSN 0582414547.
- Hearn, J., *Markets and Market Failure* (Philip Allan Updates, 2000).
ISBN 0860032493
- Littlechild, S.C., *Privatisation, Competition and Regulation*,
Occasional Paper 110 (Institute of Economic Affairs, 2000). ISBN 0 255 36413-X.
- Nixson, F., *Development Economics* (Heinemann, 1996).
ISSN 0 435 33033 0.
- Nutter, R., *The National Economy and Its Management* (Philip Allan Updates,
2000). ISBN 086003
247 7.
- Riley, G., *The UK Economy, 1988-98* (Anforme Ltd, 1998).
ISBN 0 907529445.
- Riley, G., *The UK Economy, 1990-2000*, (Anforme Ltd,
Stocksfield Hall, Stocksfield, Northumberland NE43 7TN, 2000). The fourth edition of a
publication reviewing aspects of the UK economy containing many coloured graphics.
- Romer, S., *Understanding the European Union* (Anforme Ltd, 2000).
A 72pp review of a dozen aspects of European issues. ISBN 0 907529 52 6.
- Simpson, L. & Paterson, I., *The UK Labour Market* (Heinemann, 1995).
ISBN 0 435 33030 6.
- Sloman, J., *Economics* (3rd edition) (Prentice Hall, 1999).
ISBN 0 15 568058 5.
- Smith, C., *Understanding International Trade* (Anforme Ltd, 2000).
A 60pp review of trade, exchange rate and globalisation issues. ISBN 0 907529 51 8.
- Todaro, M., *Economic Development*, 7th Edition (Addison Wesley
Longman, 2000).
ISBN 0 201 64858 X.
- Tree, N., *The Year in Review and Revision Guide 1999-2000* (Anforme
Ltd, 2000). A retrospective review of recent economic events. ISBN 907529 54 2.
- Wilkinson, M., *Economy, Efficiency and Market Failure* (Heinemann, 1998).
ISBN 0 435 33037 3.

Revision sources for students

- Hearn, J., *Exam Revision Notes* (Philip Allan Updates, 1997), ISBN 0 86003 430 5.
- Riley, G. & Keefe, J., *A Revision Guide to A-Level Economics* (Anforme Ltd, 1999). ISBN 0 907529 47 X.

Resources published by Oxfam Publishing

Oxfam issue a catalogue containing books and journals on development issues. *Oxfam Publishing 2000* contains 37pp of materials. In January 2000 it also published another catalogue *Education Resources for Schools* containing over 30pp of books, maps, video packs, posters, games and teachers' packs. The following two videos have been highly rated by economics teachers.

The Bank, the President and the Pearl of Africa. These are two Channel 4 documentaries on the policy of the World Bank.

Oxfam publishes a series of Country Profiles, Working Papers and Briefing Papers. Details of the Briefing Papers can be found on the Oxfam web site (see list below).

Periodicals and Magazines

Bank of England Quarterly Bulletin and *The Inflation Report*, Bank of England, four issues per year.

CentrePiece, the magazine of economic performance (Centre for Economic Performance, London School of Economics and Political Science). A magazine that was launched in 1995 containing several articles looking at contemporary economics issues.

Economic Affairs, published quarterly by Blackwell Publishers for the Institute of Economic Affairs.

Economic Review, Philip Allan Updates, four issues per year.

Economics Today, Anforme Ltd, four issues per year.

National Institute Economic Review (National Institute of Economic and Social Research). A Quarterly Review which in each issue contains a general survey of the current economic situation in the UK and the world economy. The Review also includes articles on topical economic problems and a statistical appendix on macroeconomic indicators.

The Economist, The Economist Newspaper Ltd, weekly.

Websites

The contribution by Russell Dudley-Smith starting on page 80 reviews the growing number of IT sources now available. Here we bring all those listed in his article plus some others:

Website address	Published by
www.hm-treasury.gov.uk	HM Treasury.
www.euro.gov.uk	HM Treasury.
www.ft.com	The Financial Times – a list of resources.
www.newsunlimited.co.uk	a fully searchable site established by the Guardian and Observer newspapers.
www.bankofengland.co.uk	the Bank of England.
www.statistics.gov.uk	the Office for National Statistics.
www.europa.eu.int	the European Union's server.
www.worldbank.org	The World Bank.
www.updates.co.uk	Economics Update.
www.ecb.int	The European Central Bank.
www.imf.org	The International Monetary Fund.
www.statistics.gov.uk	The Office for National Statistics (UK).
www.oecd.org	The OECD.
www.news.bbc.co.uk	BBC News.
www.economist.com	The Economist.
www.itn.co.uk	ITN Business News.
www.Sunday-times.co.uk	The Sunday Times.
www.telegraph.co.uk	The Daily Telegraph.
www.independent.co.uk	The Independent.
www.observer.co.uk	The Observer.
www.the-times.co.uk	The Times.

www.bized.ac.uk	Biz Ed.
ve.ifs.org.uk	Bized/IFS.
http://www.ebea.org.uk	The Economics and Business Education Association.
www.oheschools.org	Office of Health Economics.
www.oxfam.org.uk	Oxfam.
www.cep.lse.ac.uk	The Centre for Economic Performance.
www.economicsuk.com	David Smith's Economics UK.
www.dti.gov.uk	The Department of Trade and Industry.
www.euro-emu.co.uk	Euro Net.
www.ifs.org.uk	The Institute for Fiscal Studies.
www.jrf.org.uk	The Joseph Rowntree Foundation.
www.lowpay.gov.uk	The Low Pay Commission.
www.newdeal.gov.uk	New Deal.
www.tutor2u.com	Tutor2u Economics.
www.wto.org	The World Trade Organisation.
www.aleveleconomics.co.uk	Contains interactive exercises on micro, macro and international topics.
www.keynes.westminster.org.uk	Westminster School.
www.mmc.gov.uk	The Competition Commission.
http://web.mit.edu/krugman/www	Paul Krugman
www.yardeni.com	Dr Ed Yardeni.
www.bibliomania.com/NonFiction/Smith/Wealth/index.html	Biblomania.com Ltd.
www.altavista.com	Altavista
www.economist.com/editorial/freeforall/focus/bigmac.html	The Economist Big Mac site
www.vensim.com	Vensim
sysdyn.mit.edu/	System Dynamics in Education

SECTION 5 – FURTHER GUIDANCE ON IT, KEY SKILLS AND SUPPORTED CHOICE QUESTIONS

IT in Advanced GCE Economics Teaching – Some suggestions

by Russell Dudley-Smith, Head of Economics, Westminster School and Principal Examiner

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Introduction

Information technology has already begun to have a significant effect on economics teaching in those schools lucky enough to be adequately resourced. What follows is a brief summary of some of these developments. My first goal is to suggest ways in which IT can be used to enhance the delivery of the Edexcel Curriculum 2000 specification and to enable the achievement of the various Key Skills at level 3, especially those for IT but also many of the other Key Skill objectives. My second aim is to report on some of the ways in which using IT in my own school has allowed pupils to gain access to ideas, cross-curricular in content, which may serve to integrate economics with other courses of study and, perhaps, gain a deeper understanding and a better ‘feel’ for the real world issues emphasised by the Edexcel specification.

This document is available online at <http://keynes.westminster.org.uk/doc.asp> which the reader is recommended to visit as a convenient way of viewing the suggested web links within the text.

Delivering the Edexcel Specification

It is important to bear in mind that, for each of the following suggested uses of IT, there will be costs as well as benefits. It is possible for the use of IT to consume extraordinary amounts of time and energy to little end result, and this is particularly true for teachers who have first to learn the nuts and bolts of the technology before thinking up ways to use it to enhance learning. My advice is for teachers to encourage the emergence of computer experts *among the pupils* and to feel confident that pupils will almost always find a way of solving an IT related problem if it arises in the classroom. The teacher is then free to concentrate on the economic application.

The following are the areas where I have found some welfare gain, often after considerable trial and error:

Extension of Source Material

The specification requires candidates to be familiar with ‘recent historical data’. By far the most complete source for this is the digital ONS publication of Economic Trends. The data comes on diskette every three months in a format readily importable into Microsoft Excel. This in turn allows the data to be made available to pupils on a school network – if your school has a good network manager ask him or her to put the data into a relational database (we use SQL 7) to enable personalised web access through a technology such as active server pages. The network license for school use is about £200 – but I found that you have to negotiate individually with the ONS about

this. Thus, my pupils can now choose from a drop down list of some 60 reasonably reliable and up to date data series on the school intranet, and automatically load the information into spreadsheets for analysis, graphing, or for incorporation into projects.

The internet is very much a mixed blessing, partly because of the extraordinary quantity of information available much of which is unreliable. However, there are some indispensable sites:

The Competition Commission website at <http://www.mmc.gov.uk> includes details of UK and European competition policy, together with summaries of recent judgements. This site is absolutely essential for Unit 4 and is probably worth a look to motivate some of the discussions in Unit 2.

The Bank of England's web site at <http://www.bankofengland.co.uk> makes available minutes from the MPC's interest rate deliberations together with the full text and graphics of the Inflation Report. This site has some first rate material and is particularly relevant to Units 3 and 6. Other key macroeconomic sites include <http://www.hm-treasury.gov.uk>, <http://web.mit.edu/krugman/www>, and <http://www.yardeni.com>.

The internet is useful for giving pupils scope to conduct their own detailed investigations into a specification topic, but it is a good idea to limit the field of enquiry by pre-selecting the web sites available for study. For example, for Unit 5 pupils might be asked to investigate the impact of minimum wages. Typing "minimum wages" into <http://www.altavista.com> or an equivalent search engine will yield tens of thousands of links. This is pretty useless as a research tool and makes clear that it is now part of the job of an economics department to provide a 'portal' of recommended sites.

However, creating such a portal is beyond the means of an individual teacher. The "link wizard" facility at <http://keynes.westminster.org.uk> conducts a keyword search on a large number of web sites submitted to our database *by pupils* as they do IT based economics projects; but each proposed link is filtered, graded and indexed for keywords by teachers to reduce the search costs for future pupils. From time to time a member of staff goes through the database of links to ensure that they are all still 'live', deleting from the database those which are not.

Finally, I have always liked the idea of pointing pupils to some of the original texts in the development of economic ideas. For example, for Unit 1 pupils can visit <http://www.bibliomania.com/NonFiction/Smith/Wealth/index.html> and read some of the Wealth of Nations.

Reinforcement of Basic Concepts

One thing computers do unambiguously well is to provide a framework for repetitive practice of basic ideas (machines never get tired and can be programmed to be endlessly patient.) It is possible therefore to try to make use of IT from the perspective of a behaviourist approach to learning.

Multiple Choice Testing is possible via the internet. There are examples on my web site at <http://keynes.westminster.org.uk> under Utilities/Multiple Choice Tests. It is likely that pupils will do better in supported choice question elements of the Curriculum 2000 exams if they have had the opportunity to practise on similar questions *with appropriate feedback*. At the end of each on-line test the pupil can go through his or her wrong answers and view the explanation of the correct response.

Incidentally, a long term potential of such tests is that they make a first attempt to map the concepts of the candidate, reporting to the teacher relative strengths and weaknesses. As yet this area is quite undeveloped; but the potential is quite clear if the database which records responses to the tests can be intelligently ‘mined’ for information about the current conceptual state of the pupil.

Another first stab at reinforcement learning is the Interactive Economics Dictionary available at <http://keynes.westminster.org.uk> under Utilities/Dictionary. Only a working model is presented. However, with further refinement this might eventually constitute a useful resource.

A more mainstream use of IT for reinforcement is the provision of revision notes - e.g. Geoff Riley’s site at <http://www.tutor2u.com> offers a wealth of material (you have to register to see the full resource).

Deepening the Understanding of Concepts 1 - Modelling

One of the most thought provoking aspects of using computers to model economic theories is the immediate realisation of how little understanding pupils usually attain from a theoretical presentation of ideas. As teachers we know our models too well. Their self-evidence to us is such that we believe that a clear explanation will automatically transmit. Pupils are adept at simulating understanding of these models to keep us feeling good about the effectiveness of our teaching. *A large part of pupil ‘understanding’ is in the form of memorised pictures or key explanatory sentences.*

In the work I have done with pupils at Westminster using Excel to construct quantitative versions of elementary economic models the prevalence of this simulated understanding has greatly surprised me. The act of forcing pupils to make explicit representations of economic theory on a spreadsheet forces the issue of whether they have truly taken on board the key definitions, accounting constraints, and relationships between variables embodied in a particular model. Time and again I have found that making the modelling process explicit by using computers creates a better feel for the issues at stake.

Areas of economics which lend themselves to this kind of modelling include basic ideas about the circular flow essential as background for the aggregate demand and supply analysis for Unit 3, and understanding the elementary theory of the firm in Unit 4.

Deepening the Understanding of Concepts 2 - Simulation

A major component of the new specification in Units 3 and 6 is the emphasis on the potential conflict between a government’s macroeconomic policy objectives. The IFS virtual economy site at <http://ve.ifs.org.uk> offers a full scale model of the UK economy (based on the Treasury Model) which allows pupils to simulate budget measures and to see their anticipated effect on key macroeconomic variables.

I found that this site captures pupils’ imaginations – there is a strong narrative element. Pupils can think of themselves as being the Chancellor of the Exchequer and play with the UK economy by varying a wide array of tax rates and spending policies. However, to get the most out of the model a colour printer is useful: each policy change creates graphs comparing the forecast future state of the economy with and without the change. I have found that it is extremely valuable to get pupils to write explanations for the resulting divergence for each main macroeconomic variable. This has

exposed a great deal of misunderstanding both about the nature of each variable and of the linkages between policy and result. As always with computers, it is no good just letting pupils play with these new resources on a wet Wednesday afternoon – active teacher involvement is essential.

Deepening the Understanding of Concepts 3 - Project Work

I try to encourage discussions in my classroom on the assumption that pupils learn a good deal from listening to each other and from being encouraged to explain their ideas in public, and on the principle that there are many aspects of a topic that will not have occurred to me. The notion of collaborative work is controversial – certainly I would not want to play down the role of the teacher in any way (pupils are quite capable of merely reinforcing each other's everyday understanding, the conventional wisdom of which economics - like physics, geography, art - is a subversion, a new and unexpected way of reading the world). However, pupils may feel more relaxed discussing issues with their peer group, if only vicariously. The power of the teacher may, in certain circumstances, seem a threat and thus inhibit intellectual development.

Here are two suggestions for collaborative work. The first is using PowerPoint for creating class presentations. It does not seem to take long for pupils to learn how to use this software. It has an immediate appeal because it allows the creation of quite complex multi-media. It is well suited for two pupils to work on at the same time. The software creates an environment for pupils to organise their ideas and present professional looking work. This can lead to some spectacular results if a data projector is available - pupils can use this to present their work to the rest of the class.

The second suggestion involves Microsoft FrontPage. The 2000 edition of this is a significant improvement on earlier versions. This software offers a fairly transparent environment through which quite large groups of pupils can collaborate on building a web site. On our network I use Visual Interdev 6.0 to create a web project and to assign network permissions exclusively to those pupils I want to be able to author the site. The pupils then create links to this project through FrontPage and can have a collective discussion about content and design.

Key Skills

The Edexcel specification incorporates elements designed to allow pupils to meet the Key Skills criteria for Information Technology at Level 3.

For the Key Skills evidence requirement IT3.1, pupils could use any of the web sites listed above: they need to be able to show that they have thought about a search strategy for getting information, filtered out unnecessary material and made selections “based on judgements of relevance and quality.” Individual homework or class assignments based on the pupil researching topics on the internet and from at least one other data source (CD ROM, official data series, etc.) *and moving beyond the ‘cut and paste’* stage of using such data would seem to satisfy the requirement.

IT3.2 is concerned with “developing information.” The most obvious way into this requirement from the point of view of economics teaching is to use Excel. Pupils can be asked to enter data in a format suitable for charting. The charts then need to be interpreted. This requirement also has a modelling component: “change values and rules in a model to make predictions and test hypotheses.” So, for example, an Excel simulation of profit maximisation could have a variable for fixed costs, and pupils could be asked to predict the effect on the output choice of a change in fixed costs. Few will come up with the right answer of ‘no change’ – the spreadsheet may then provoke them into reconsidering their conceptualisation of costs and profit.

Microsoft PowerPoint is an ideal medium through which pupils can achieve IT3.3 because it lends itself well to class presentations. A projector, and better still an interactive whiteboard, seem almost essential to achieve this requirement. Pupils will quickly come to see the pitfalls of certain styles of presentation – too many graphics, too much text on each slide – and can easily adapt their PowerPoint file for second attempts.

IT also allows the achievement of many of the other Key Skills. For example, the Communication element requires pupils to contribute to a group discussion about a complex subject and to make a presentation about it. This is by no means mutually exclusive with IT3.3. The ‘Application of number’ element involving working with a ‘large data set’ can be satisfied by asking pupils to work on ONS data for GDP in Excel, for example making an output gap calculation (calculate average real GDP growth, determine a base year where the economy is near full capacity, compound average growth forward to the present, and compare with actual real GDP. Then interpret the results.) Computers also provide an ideal medium for the “Working with others” key skill component.

Cross-Curricular Ideas

I think it would be fair to say that all of the above suggestions explore ways of improving existing ways of working around a traditional conception of the specification. This is all well and good. However, my own experience has been that using computers provokes a fundamental reconsideration of economics teaching, taking it into exciting and challenging cross-curricular areas. A few of these are discussed here.

Computers make possible the development of systems concepts. Economics is interesting in that its arguments ultimately rest on what might be called semi-quantitative modelling. There is some useful software available. Link-It, a public domain program (email me if you would like a copy,) allows pupils to chain together causal loop diagrams in a very flexible manner. If you find this environment too loose, then Excel can be used by turning off auto-calculation and establishing circular cell references. Examples would include modelling the circular flow and simulating feedback loops in the presence of asymmetric information. There is a public domain version of the modelling software Vensim available at <http://www.vensim.com> and a great deal of systems literature available at <http://sysdyn.mit.edu/> if you want to take systems thinking further.

Another area of interest is emergence – the patterning that can result from processes governed by simple rules. A good book on this area, which contains code for computer simulations is Epstein and Axtell’s “Growing Artificial Societies: Social Science From The Bottom Up.” (The MIT Press 1998) Linked to ideas of emergence are ideas based on chaos theory– for example, pupils can investigate the Logistic equation when studying market failure, using it to gain insight into the predictable nature of unpredictability in some deterministic systems. An excellent and accessible text which tries to integrate the many ideas which have been made available through computer simulations is Gary Flake’s recent “The Computational Beauty of Nature: Computer Explorations of Fractals, Chaos, Complex Systems and Adaptation.” (The MIT Press 1998).

Conclusion

We are still experiencing the birth of the use of IT in schools and we do not know what will become of it. New ideas will come from the engagement between pupils and teachers not from abstract theory. The potential of IT lies in mediating that engagement. Personally, I am finding some of the uses of IT extremely rewarding. Please do contact me and let me know your own experiences.

Key Skills in AS/Advanced Economics Teaching – Kiran Chopra, Watford Grammar School for Girls

The suggestions that follow build on the possibilities highlighted in the specification for delivering portfolio evidence for Key Skills with the Advanced Subsidiary and Advanced GCE Economics course. Key Skills are important because they enhance employability, they facilitate the opportunity for Economics to become a lively interactive subject and, not least, because they are beginning to be recognised by Higher Education institutions for progression purposes. These examples concentrate on the first three Key Skills (Communication, Application of Number and Information Technology) which make up the Key Skills Qualification. All the examples quoted are from Level 3.

UNIT	OUTLINE CONTENT	OPPORTUNITIES FOR DEVELOPMENT OF KEY SKILLS
<p>1 Markets – how they work</p>	<p>Positive & normative economics Scarcity and opportunity cost. Production possibility frontier Specialisation and division of labour Economies of scale The advantages of international trade Consumer and producer surplus Price Mechanism as a means of allocating resources. The role of price mechanism as a means of allocating resources The role of price mechanism in resource allocation in free market and mixed economies The supply of and demand for, goods and services Concept of elasticity with respect to both supply and demand Application of demand and supply analysis in the product and factor markets Entry and exit of firms Government intervention in markets Indirect and direct taxes.</p>	<p><i>Communication -</i> C3.1a Discussion with teacher / peers on alternative ways of understanding the difference between positive (scientific) normative (value judgement) economics e.g. subject content of Maths is scientific Vs Sociology which involves making a lot of value judgements. C3.1b Oral presentations by two pupils on the role of price mechanism in free and command markets-pupils could use OHPs, and create a visual display to help explain figures, concepts and theory to the class/group. C3.2 Reading and synthesising information pupils produce a Fantasy Budget from the pre budget report published in the newspaper. C3.3 Two documents on complex subject - Essay on circumstances when PPF moves to the left or to the right including limitations of the model. Application of the model to the UK economy. <i>Information technology -</i> IT3.1 Using different sources e.g. use of tables and graphs to show supply and demand curves. IT3.2 Explore, develop and exchange information e.g. use of images to make theory of PPF come alive <i>Application of number -</i> N3.1 Planning and interpreting information - Understanding advantages of trade and interpreting graph of UK's Balance of trade. N3.2 Multistage calculations e.g. Calculation of ratios when explaining comparative advantage N3.3 Interpreting results and justifying findings eg Pupils could be shown how to use chart and draw PPF; and explain how they could use the principle of PPF in explaining how they could maximise their grades through managing their time more efficiently.</p>

UNIT	OUTLINE CONTENT	OPPORTUNITIES FOR DEVELOPMENT OF KEY SKILLS
<p>2 Markets – why they fail</p>	<p>Market failure Types of market failure Public, merit and demerit goods Remedies for market failure Government failure</p>	<p><i>Communication -</i> C3.1a Discussion with teacher on alternative ways of understanding market failure e.g. perfect Vs imperfect competition, externalities and missing markets C3.1b Oral presentations by pupils in pairs on types of goods -pupils could use artifacts, OHPs, or create a visual display to help explain free / economic, normal / inferior, private / public, merit / demerit goods to the class/group. C3.2 Reading and synthesising information in order to produce an essay on market / government failure C3.3 Two documents on complex subject - Pupils create a 'Mind map' in order to write an essay on 'Road congestion is a result of market failure and how governments might pursue policies deal to with it.'</p> <p><i>Information technology -</i> IT3.1 Using different sources e.g. use of images, pictures, diagrams to show cost / benefit analysis IT3.2 Explore, develop and exchange information e.g. Use of charts and diagrams of elasticity of demand and supply to explain 'The effect of petrol tax on reducing negative externalities.'</p> <p><i>Application of number -</i> N3.1 Planning and interpreting information - Understanding the case for and against public transport provision. N3.2 Multistage calculations e.g. comparison of percentage figures of government budget spent on reducing market failure in health, education, and transport with previous financial year. N3.3 Interpreting results and justifying findings e.g. Pupils could explain how UK compares with other EU countries in inequality of income distribution.</p>

UNIT	OUTLINE CONTENT	OPPORTUNITIES FOR DEVELOPMENT OF KEY SKILLS
<p>3 Managing the economy</p>	<p>Measures of economic performance of countries Economic growth Aggregate demand Aggregate supply Relationship between aggregate demand and the price level and between aggregate supply and price level. The equilibrium level of real output Macroeconomic policy objectives in an EU context Conflict between these objectives The relative merits of demand side and supply side policies as means of realising policy objectives</p>	<p><i>Communication -</i> C3.1a Discussion with teacher on alternative ways of calculating economic performance of an economy - e.g. Retail price index, level of unemployment, balance of payments, gross domestic product C3.1b Oral presentations on 'The case of oil and the effect on long run and short run aggregate supply and equilibrium.' Pupils work in pairs to create a visual display to help explain figures, concepts and theory to the class / group. C3.2 Reading and synthesising information on the uses and limitations of GDP as an indicator of standard of living C3.3 Two documents on complex subject - Pupils create a 'Mind map' on the ideal macroeconomic objectives model of an economy followed by an essay on application of the model to the UK economy. <i>Information technology -</i> IT3.1 Using different sources e.g. reading tables and graphs that measure economic performance of the countries within the EU on the CD-ROM. IT3.2 Explore, develop and exchange information e.g. pupils extracting figures on growth and unemployment from the CD-ROM and Encarta on Poland and Hungary and converting information into graphs. <i>Application of number -</i> N3.1 Planning and interpreting information - Understanding the economic consequences of the fall of the Berlin wall and interpreting the effect on growth rates of a unified Germany. N3.2 Multistage calculations e.g. Differentiating between real and nominal figures of GDP N3.3 Interpreting results and justifying findings e.g. Selecting appropriate data, devising a spreadsheet and converting information into graphs to explain trends in growth, inflation, unemployment and Balance of payments.</p>

UNIT	OUTLINE CONTENT	OPPORTUNITIES FOR DEVELOPMENT OF KEY SKILLS
<p>4 Industrial Economics</p>	<p>The birth and growth of firms The motives for the growth of the firms Internal and external growth Alternative motives of firms Productive efficiency Allocative efficiency Measures of market concentration Pricing and output decisions under different market structures and different motives The conditions necessary for price discrimination in monopoly Pricing and non-pricing strategies Barriers to entry and exit Contestable markets Competition policy in the UK and the EU Regulation of privatised industries</p>	<p><i>Communication -</i> C3.1a Discussion with teacher / peers on why start a firm, methods of growth (internal Vs external.) and problems and challenges as the firm grows. C3.1b Oral presentations - pupils watch British Empires programme on BP and report to the class on the growth of the firm since its birth (early 1900) C3.2 Reading and synthesising information from the newspaper articles on the merger of MNCs e.g. BP and Amoco, AOL and Warner Brothers in order to produce a report. C3.3 Two documents on a complex subject - Essay on pricing and non-pricing strategies employed by Richard Branson i.e. his interest in buying the National lottery, buying a share in the British Rail and trying to make a difference at a national level, and making a name for himself in promoting his other businesses. <i>Information technology -</i> IT3.1 Using different sources e.g. diagrams to show cost and revenue curves in the short and long run of perfect competition and monopoly IT3.2 Explore, develop and exchange information e.g. Draw up a table of perfect and imperfect markets with information on ability to price, number of firms, free entry/exit, nature of commodity, diagrams merger and take-over activity, etc. <i>Application of number -</i> N3.1 Planning and interpreting information - Calculate and understand total, average and marginal costs and revenue. N3.2 Multistage calculations e.g. Calculation of concentration ratios when explaining market concentration N3.3 Interpreting results and justifying findings e.g. Pupils learn the importance of regulatory agencies and their role in influencing the behaviour of suppliers through inspection of their accounts and premises.</p>

UNIT	OUTLINE CONTENT	OPPORTUNITIES FOR DEVELOPMENT OF KEY SKILLS
<p>5A Labour Markets</p>	<p>The supply of labour: the working population The demand for labour Labour as a derived demand. Wage determination in competitive markets Differentials in different occupations: between men and women: skilled / unskilled workers: ethnic groups. Discrimination. The role of trade unions Government intervention in Labour markets The case of monopsony Unemployment and labour market imperfections Government policies to influence geographical mobility and occupational mobility The changing structure and flexibility of UK and EU labour markets</p>	<p><i>Communication -</i> C3.1a Discussion with teacher / peers on alternative ways of understanding DD and SS of labour with respect to short run and long run C3.1b Oral presentations by pupils in small groups on the contemporary changes in the UK labour market and the importance of having a broader base at A level (more subjects at AS level + Key skills) with a view to providing greater flexibility in the labour force of the future! C3.2 Reading and synthesising information on wage differentials in terms of productivity, educational qualifications and environment. C3.3 Two documents on a complex subject - Essay on ideal government policies to influence geographical and occupational mobility of labour. Application of the model to the UK economy. <i>Information technology -</i> IT3.1 Using different sources e.g. tables and bar graphs to show annual number of hours worked per employee in Singapore, USA, UK, Norway. IT3.2 Explore, develop and exchange information e.g. Use key indicators of the Labour market from ILO to compare global manufacturing productivity using a bar chart. <i>Application of number -</i> N3.1 Planning and interpreting information - Understanding the argument for setting a national minimum wage in proportion to the percentage of labour force that it would benefit. N3.2 Multistage calculations e.g. Calculation of unemployment as a percentage of labour force in the EU countries in trying to explain "Where the jobs aren't" N3.3 Interpreting results and justifying findings e.g. Pupils could interpret graphs on 'How Europe slipped behind USA and Japan in its unemployment figures 1950-95' and explain the UK's position today regarding low level of unemployment through current reading of articles in the newspapers.</p>

UNIT	OUTLINE CONTENT	OPPORTUNITIES FOR DEVELOPMENT OF KEY SKILLS
<p>5B Economic Development</p>	<p>Indicators of development in developing countries in sub-Saharan Africa, Asia and Latin America</p> <p>Absolute and relative poverty</p> <p>The causes of economic growth in developing countries</p> <p>Differences between developing countries</p> <p>The costs of economic growth</p> <p>Constraints on economic growth</p> <p>Development strategies</p> <p>Sources of external finance</p>	<p><i>Communication -</i></p> <p>C3.1a Discussion with teacher on alternative ways of measuring development e.g. GDP, HDI, Human suffering index etc.</p> <p>C3.1b Oral presentations by two pupils on economic statistics tables/graphs of two countries e.g. Zaire Vs Bangladesh - pupils could use OHPs, and create a wall chart to help explain figures, to the class/group.</p> <p>C3.2 Reading and synthesising information on the difference between relative and absolute poverty through a case study of a LDC and a DC e.g. Mozambique Vs UK</p> <p>C3.3 Two documents on a complex subject - Essay on costs and constraints of economic growth and the role of external finance in solving the problems in South Korea.</p> <p><i>Information technology -</i></p> <p>IT3.1 Using different sources e.g. use of internet to obtain data on Mexico or Pakistan converting tables into graphs to find trends in growth of GDP, inflation, and unemployment in the role of domestic investment.</p> <p>IT3.2 Explore, develop and exchange information e.g. Using images to understand benefits and costs of tourism.</p> <p><i>Application of number -</i></p> <p>N3.1 Planning and interpreting information - Understanding advantages and disadvantages of foreign direct investment by MNCs in LDC's</p> <p>N3.2 Multistage calculations e.g. Calculation of percentage of labour force in primary, manufacturing and tertiary sector and illustration with the use of pie charts.</p> <p>N3.3 Interpreting results and justifying findings of structural adjustment policies enforced by the IMF and World Bank on LDCs.</p>

UNIT	OUTLINE CONTENT	OPPORTUNITIES FOR DEVELOPMENT OF KEY SKILLS
<p>6 UK in the global economy</p>	<p>Factors contributing to globalisation International exchange Trade liberalisation and protectionism Sources of possible conflict between trading blocs and the role of the World Trade organisation The Balance of payments International competitiveness The UK's changing international competitive situation. Balance of payments disequilibrium Exchange rate systems European monetary union Inward foreign investment by MNCs External shocks to the global economy Public expenditure and taxation The working of fiscal, monetary and supply side policies Unemployment and inflation in an EU and the global context The relationship between real output and the non-accelerating inflation rate of unemployment.</p>	<p><i>Communication -</i> C3.1a Discussion with teacher / peers on 'Is free trade desirable?' C3.1b Oral presentations by pupils in pairs on trade policies implemented by the governments of South Korea Vs Sri Lanka i.e. export orientation Vs import substitution.- pupils could use OHPs, and create a visual display to help explain the outcome of using different policies to the class/group. C3.2 Reading and synthesising information - pupils produce a mind map using the text and articles from the Economic review on the impact of the CAP on world trade commodities. C3.3 Two documents on complex subject - Create an essay plan in the form of a mind map on the seven ages of the monetary policy 1979 to date and use it to write up an essay on successes and failures of UK's monetary policy. <i>Information technology -</i> IT3.1 Using different sources e.g. convert government spending and government expenditure figures from the Budget into a pie chart IT3.2 Explore, develop and exchange information e.g. Use tables and diagrams to illustrate the relationship between real output and NAIRU. <i>Application of number -</i> N3.1 Planning and interpreting information - Understanding advantages and disadvantages of fiscal Vs monetary policy in the UK context. N3.2 Multifistage calculations e.g. from a table of capital inflows the pupils could analyse the significance of the MNCs in an EU context. N3.3 Interpreting results and justifying findings e.g. Pupils could the analyse the role, benefits and disadvantages of capital inflows from MNCs in an EU context. Pupils could use the internet to access economic statistics on MNCs when writing essays on the topic.</p>

Notes of Guidance: Supported Choice Questions, produced by Bob Wright, Principal Examiner

AS Economics (8121) Unit 1

In Section A of Unit 1, each supported choice answer must be justified by a brief explanation. In addition to one mark for a correct answer, up to three marks may be awarded for an explanation, giving a total of four marks for each question.

The answers below relate to supported choice Questions 3, 4 and 7 in Section A of the Unit 1 Specimen Examination Paper. For each question, examples are given of possible answers that might gain 1, 2 or 3 marks.

Question 3. Definitions of a mixed economy - interpreting written statements.

- 1 mark** A mixed economy is a mixture of the market and planned economies.
- 2 marks** In the mixed economy there is a private sector and also a public sector. The private sector operates as a free market and the public sector is owned and controlled by the government.
- 3 marks** Mixed economies combine private enterprise and public enterprise. There is a private sector and also a public sector. In the former, scarce resources are allocated by the price mechanism and in the latter, the state allocates resources.

Question 4. Shifts in demand and supply-interpreting a diagram

- 1 mark** Both demand and supply increase.
- 2 marks** Higher incomes and government subsidies cause increases in both demand and supply and there are new demand and supply curves.
- 3 marks** A rise in real income will cause an increase in demand, shown by a shift to the right of the demand curve. A government subsidy will cause an increase in supply, shown by a shift to the right of the supply curve.

Question 7. Income elasticity of demand calculation

- 1 mark** When income increases, demand increases and vice-versa
- 2 marks**
$$YED = \frac{\% \text{ change in quantity demanded}}{\% \text{ change in real income}}$$

The change in demand is less than the change in income.
- 3 marks**
$$YED = \frac{\% \text{ change in quantity demanded}}{\% \text{ change in real income}}$$

If YED has a value of +0.3 (i.e., less than 1) then YED is inelastic.
A change in real income leads to a proportionately smaller change in quantity demanded.

A2 Economics (9121) Unit 4

In Section A of Unit 4, each supported choice answer must be justified by a brief explanation. In addition to **one** mark for a correct answer, up to **three** marks may be awarded for an explanation, giving a total of **four** marks for each question.

The answers below relate to supported choice Questions 1, 3 and 10 in Section A of the Unit 4 Specimen Examination Paper. For each question, examples are given of possible answers that might gain **1, 2 or 3** marks.

Question 1. Monopoly output and price elasticity of demand – interpreting a diagram.

- 1 mark** PED is one where revenue is largest.
- 2 marks** At OC, MR is zero and immediately above it AR has a PED of one.
- 3 marks** PED is equal to one at OC, because at this level of output MR is zero and total revenue is maximised. Any change in output will cause total revenue to fall.

Question 3. Market structures – interpreting written statements.

- 1 mark** Branding, non-price competition and barriers to entry are characteristics of oligopoly, i.e., an industry with a few large firms, branded goods, non-price competition and entry barriers, etc.
- 2 marks** All three characteristics taken together describe oligopoly. Some of the characteristics apply to other market structures, but not all of them, e.g., no entry barriers in monopolistic competition.
- 3 marks** Branding, non-price competition and barriers to entry are characteristics of oligopoly. None of these characteristics apply to perfect competition. There is no competition of any sort in monopoly, and there are not any entry barriers in monopolistic competition. There are no markets for public goods.

Question 10. Characteristics of oligopoly – interpreting a pie chart

- 1 mark** The three biggest firms dominate the market. All the others have only 20% of the chocolate market.
- 2 marks** Nestlé, Rowntree, Mars and Cadbury's have 80% of the UK chocolate market, which makes the market oligopolistic. A, B, C and D do not apply to the chocolate market in the UK.
- 3 marks** The three largest firms have 80% of the market (i.e., 32% + 25% + 23%). This market is an example of oligopoly. The other answers are wrong: products are not homogeneous because of branding; YED is positive because the different brands are substitutes; firms are price makers; Mars' 23% share of £2.5bn comes to less than £1bn.

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