

# Schemes of work

GCE

Edexcel Advanced Subsidiary and Advanced GCE in  
Economics

First award 2010

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# Introduction

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These schemes of work will give you guidance on planning delivery of the GCE in Economics. They are intended to help you plan the course in outline and give you further insight into the principles behind it, to assist you and your students in succeeding in the qualification. They are in Microsoft Word, so that you can adapt and amend the schemes of work.



# Unit 1: Competitive Markets

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## Suggested delivery/activity schedule

### Basic reading references

Anderton A – *Economics, 4th Edition* (Causeway Press, 2006) ISBN 1902796926

Cramp P – *Labour Markets: The Economics of Work and Leisure, 3rd Edition*, (Anforme, 2006) ISBN 190550408X

Tarrant R – *Friday Afternoon A-Level Economics Resources* (Philip Allan, 2008) ISBN 0340966629

*Economic Review* (ER) magazine – Philip Allan Updates

*Economics Today* (ET) magazine – Anforme

Timing	Content	Reading/activities	Comments/notes
2 hours	<p>The basic economic problem and scarcity</p> <p>Production possibility frontiers:</p> <ul style="list-style-type: none"> <li>• opportunity cost</li> <li>• economic growth (causes of shifts inwards/outwards of PPF).</li> </ul> <p>Positive and normative economics</p>	<p>Anderton, Unit 1</p> <p>ER September 2006 page 15 – PPFs – P Smith</p> <p>ER November 2006 page 20 – Positive and Normative – P Smith</p> <p>ET September 2006 page 10 – PPFs</p> <p>Tarrant, Introduction to Economics Bingo</p>	<p>Students are likely to be unsure what economics entails as a subject – this may be worth a lesson of discussion in itself. PPFs do not need to be used to illustrate absolute and comparative advantage. Students should be aware of the causes and implications of an economy operating inside its PPF. Students should be provided with a list of economic statements and asked to explain why they are either positive or normative.</p>

Timing	Content	Reading/activities	Comments/notes
1.5 hours (3.5 hours to date)	Specialisation and division of labour: <ul style="list-style-type: none"> <li>• concept</li> <li>• advantages</li> <li>• disadvantages.</li> </ul>	Anderton, Unit 2	Brighter students could be encouraged to investigate Adam Smith's understanding of division of labour in <i>Wealth of Nations</i> with his Glaswegian pin factory example. There are a number of classroom games that illustrate the principles of specialisation, requiring students to make a number of items individually, before then specialising as a group.
1.5 hours (5 hours to date)	Economic systems: <ul style="list-style-type: none"> <li>• free market (strengths/weaknesses)</li> <li>• mixed.</li> </ul>	Anderton, Units 42 and 43	Students should focus on lack of equity being a key reason for mixed economies. A classroom discussion could begin centred on the world described by Charles Dickens in, for example, <i>A Christmas Carol</i> or <i>Oliver Twist</i> , which many students will know – ask them to discuss whether this society was 'fair'.
2.5 hours (7.5 hours to date)	Demand and supply curves: <ul style="list-style-type: none"> <li>• their shape, and reasons for their shape</li> <li>• change in price leads to movement along the curves</li> <li>• causes of shifts right or left in either curve.</li> </ul>	Anderton, Units 4 and 5 Tarrant, Changes in Demand and Supply – play your cards right	Many students find these concepts quite abstract – use examples that they are able to relate to, such as asking how many times they would visit their local coffee shop per week at different prices of their favourite drink, or how likely they would be to deliver newspapers at different wage rates. A significant number of students find it difficult to remember that a change in price leads to a movement along the curve not a shift – this point needs emphasising.



Timing	Content	Reading/activities	Comments/notes
4 hours (11.5 hours to date)	<p>Elasticities</p> <p>PED:</p> <ul style="list-style-type: none"> <li>• definition</li> <li>• steep/shallow curves</li> <li>• formula and interpretation of calculation</li> <li>• characteristics of goods with elastic/inelastic supply</li> <li>• link to total revenue and use to businesses.</li> </ul> <p>YED:</p> <ul style="list-style-type: none"> <li>• definition</li> <li>• normal/inferior goods</li> <li>• formula and interpretation of calculation</li> <li>• use to businesses.</li> </ul> <p>XED:</p> <ul style="list-style-type: none"> <li>• definition</li> <li>• complementary, substitute and independent goods</li> <li>• formula and interpretation of calculation</li> <li>• use to businesses.</li> </ul>	<p>Anderton, Units 8 and 9</p> <p>ER September 2006 page 24 – Elasticities and Housing Markets – P Smith</p> <p>ET September 2005 page 7 – Should Football Clubs Raise or Lower Prices to Increase Revenue – A Chapman</p> <p>Tarrant, Elasticities Crossnumber and Elasticities Missing Words</p>	<p>Students tend to find the concept of elasticity fairly straightforward, but struggle with the interpretation of the numbers generated from calculation – a number line that they keep in the front of their notes will help with this, as will significant calculation practice (this is a good homework to set). A good way to teach the link between PED and total revenue is to get students to work it out themselves with a guided investigative worksheet – give them some questions containing information about the elasticities of various products, and get them to calculate new and old revenue following an increase/decrease in price.</p>

Timing	Content	Reading/activities	Comments/notes
	<p>PES:</p> <ul style="list-style-type: none"> <li>• definition</li> <li>• steep/shallow curves</li> <li>• characteristics of goods with elastic/inelastic supply</li> <li>• formula and interpretation of calculation</li> <li>• use to businesses.</li> </ul>		
1.5 hours (13 hours to date)	<p>The market mechanism – interaction of demand and supply to determine market clearing price</p> <p>Elimination of excess demand and supply through price mechanism</p> <p>Functions of prices: rationing, signalling, incentives</p>	<p>Anderton, Units 6 and 15</p> <p>ET September 2005 page 14 – What Determines the Price of Coffee – I Black</p>	<p>Students can get confused between excess demand and excess supply – it is worth emphasising the need to label market diagrams fully and accurately to avoid this. For explaining the solution to excess supply, use examples of local markets having stock left at the end of the day – ask students what market traders could do to eliminate their stock. For explaining the solution to excess demand, ask students to think of ways of preventing queues at popular attractions.</p>
1 hour (14 hours to date)	<p>Consumer and producer surplus:</p> <ul style="list-style-type: none"> <li>• definitions</li> <li>• indication of correct area on market diagrams</li> <li>• analysis of change in consumer surplus or producer surplus following changes in demand/supply.</li> </ul>	<p>Anderton, Unit 4</p> <p>ET September 2004 page 14 – Consumer and Producer Surplus</p> <p>Tarrant, Interpreting Market Diagrams – matching game</p>	<p>Students need to be able to indicate the correct area on a market diagram, and to identify <i>changes</i> in consumer surplus or producer surplus on a diagram.</p>

Timing	Content	Reading/activities	Comments/notes
1.5 hours (15.5 hours to date)	Application of market principles to various markets <ul style="list-style-type: none"> <li>• agriculture</li> <li>• commodities/precious metals</li> <li>• shares</li> <li>• oil.</li> </ul>	Anderton, Units 6, 12, 21, 65  ER February 2007 page 17 – Common Agricultural Policy – S Rickard  Tarrant, Agricultural Economics Matching	Students should be aware of important features of each market, eg degree of price elasticity of demand/supply and factors that cause demand/supply curves to shift (ie recent increase in demand for oil to fuel Newly Industrialised Countries).
1.5 hours (17 hours to date)	Application of market principles to the labour market: <ul style="list-style-type: none"> <li>• labour as a derived demand</li> <li>• price of labour – wage rate</li> <li>• factors causing demand for and supply of labour to increase or decrease.</li> </ul>	Anderton, Units 71-77 Cramp, Units 1, 2, 3, 5, 9 ET September 2006 page 28 – Ageing Population and Labour Markets  ET September 2006 page 12 – Government Interference in Wage Determination – A Clarke  ET November 2006 page 11 – Migration and the Labour Market  ER November 2006 page 2 – New Migration to the UK – S Drinkwater  Tarrant, Labour Market Play your Cards Right, Wage Determination Crossword	MRP analysis and monopsony analysis is not necessary (although this could be extension work for more able students). Students should also consider the importance of the participation rate in the labour force, and recognise the concepts of unemployment and underemployment.

Timing	Content	Reading/activities	Comments/notes
3 hours (20 hours to date)	<p>Externalities (positive and negative)</p> <p>Social costs – private costs and external costs</p> <p>Social benefits – private benefits and external benefits</p> <p>Positive consumption externality diagram, including welfare gain triangle</p> <p>Negative production externality diagram, including welfare loss triangle</p> <p>Cost Benefit Analysis</p>	<p>Anderton, Units 19, 22, 61, 62, 70</p> <p>ET November 2005 page 16 – Costs and Benefits of Air Travel – T Allen</p> <p>ET March 2007 page 26 – London Olympics of 2012</p> <p>ER September 2006 page 7– Air Travel – P Smith</p> <p>ER April 2007 page 2 – Hosting Major Events – C Jones</p> <p>ER April 2007 page 26 – The Economic Impact of Transport Infrastructure Investment – R Vickerman</p> <p>Tarrant, Types of Market Failure Wordsearch</p>	<p>Many students find this topic abstract and therefore difficult. Use as many practical examples as possible and get students to identify private and external costs/benefits, for example, traffic congestion, building of new airports, improved access to education. Good examples to use for the cost benefit analysis work are the London 2012 Olympics, expansion of Heathrow Terminal 5, the Newbury bypass etc.</p>

Timing	Content	Reading/activities	Comments/notes
1 hour (21 hours to date)	Public goods: <ul style="list-style-type: none"> <li>• non-rival and non-excludable characteristics</li> <li>• examples</li> <li>• free-rider problem</li> <li>• private goods.</li> </ul>	Anderton, Unit 20  ET January 2007 page 11 – Public Goods – A Chapman	Use examples. Students can get confused between non-rival and non-excludable – it is worth emphasising the difference.
1.5 hours (22.5 hours to date)	Imperfect information: <ul style="list-style-type: none"> <li>• symmetric, asymmetric, incomplete</li> </ul> Examples: <ul style="list-style-type: none"> <li>• healthcare</li> <li>• education</li> <li>• pensions</li> <li>• tobacco/alcohol.</li> </ul>	Anderton, Units 16 and 76  Tarrant, Market Failure in Healthcare and Education Missing Words	Emphasise the importance of perfect information to enable markets to work properly.  Discuss the effects of imperfect information in terms of overconsumption (alcohol/tobacco) and underconsumption (healthcare/education).
1.5 hours (24 hours to date)	Labour immobility: <ul style="list-style-type: none"> <li>• geographical and occupational</li> <li>• reasons for immobility</li> <li>• government measures to tackle the problem (training programmes etc).</li> </ul>	Anderton, Unit 75  Cramp, Units 8 and 9  ER April 2007 page 24 – New Deal	Occupational immobility can be introduced using examples such as <i>The Full Monty</i> and <i>Billy Elliot</i> where main characters are unemployed through lack of appropriate skills. Sociology students may be able to contribute some knowledge from their other studies. Students should be aware of the New Deal for Labour.

Timing	Content	Reading/activities	Comments/notes
2.5 hours (26.5 hours to date)	<p>Commodity markets and unstable prices:</p> <ul style="list-style-type: none"> <li>causes of unstable prices (time-lag, climate etc)</li> <li>problems caused by unstable prices (uncertain income, reduced investment, inability to purchase necessities)</li> </ul> <p>Solutions:</p> <ul style="list-style-type: none"> <li>minimum prices (including diagram)</li> <li>buffer stocks (including diagram)</li> <li>evaluation of solutions.</li> </ul>	<p>Anderton, Units 12 and 21</p> <p>ET September 2006 page 7 – Buffer Stocks – M Jewell</p>	<p>Students do not need to use the diagrammatic analysis of time-lag causes of unstable prices (cobweb theorem) but should be able to explain verbally why time-lags in production can cause unstable prices. A number of students become confused over minimum prices being a price <i>above</i> the market equilibrium, not below – this needs emphasising. There are a number of approaches to buffer stock diagrams, but all should involve a floor and ceiling price, and a notion of buying and storing excess supply for times when supply is low or demand high. Old footage of the original <i>Live Aid</i> could be used to illustrate Bob Geldof's attack on the CAP.</p>
2.5 hours (29 hours to date)	<p>Definitions of taxation and subsidy</p> <p>Reasons for use of tax/subsidy to tackle market failure</p> <p>Use of market diagrams to show effect of tax and subsidy on supply curve</p> <p>Graphical analysis of incidence of tax/subsidy on consumers and producers, and total revenue gained/lost by government</p> <p>Implications of PED/PES for incidence of tax/subsidy</p> <p>Evaluation of tax and subsidy</p>	<p>Anderton, Units 11, 62, 79</p> <p>ET September 2004 page 28 – Why do Governments Tax Smoking? – S Earley</p> <p>ET November 2005 page 6 – Tax and Household/Industrial Waste – R Powell</p> <p>ET November 2005 page 21 – National Road User Charging – C Bamford</p>	<p>This should be linked back to externalities, with negative externalities attracting tax and positive attracting subsidy. Also applicable to imperfect information.</p> <p>For tax, use examples of landfill tax, carbon-offset tax and road pricing (eg Congestion Charge in London/Manchester).</p>

Timing	Content	Reading/activities	Comments/notes
		ER February 2007 page 7 – Environmental Tax – A Leicester  Tarrant, Tackling Market Failure Triominoes	
4 hours (33 hours to date)	Pollution permits: <ul style="list-style-type: none"> <li>• how they work</li> <li>• strengths/weaknesses</li> <li>• examples</li> </ul> Extension of property rights: <ul style="list-style-type: none"> <li>• how it works</li> <li>• strengths/weaknesses</li> </ul> Regulation: <ul style="list-style-type: none"> <li>• how it works</li> <li>• strengths/weaknesses</li> <li>• examples</li> </ul> State provision: <ul style="list-style-type: none"> <li>• examples (NHS, state schools, emergency services etc)</li> <li>• strengths/weaknesses.</li> </ul>	Anderton, Units 62  ET November 2005 page 22 – Tackling Depletion of Oil Reserves – I Black	Much of the evaluation of these alternative methods of correcting market failure looks at the cost of these approaches (including opportunity cost). The idea of problems caused by monopoly could be introduced with respect to state provision of goods that have positive externalities or that are public goods. More-able students could be introduced to the work of Ronald Coase on property rights. Evaluation of regulation should take into account the cost of a monitoring agency and the application of fines.

Timing	Content	Reading/activities	Comments/notes
1.5 hours (34.5 hours to date)	Definition of government failure Examples of government failure National Minimum Wage	Anderton, Unit 20 ET November 2005 page 26 – Effects of Increasing the NMW  ET March 2006 page 22 – UK Universities and Government Failure – T Hamilton-Jones  ER November 2006 page 29 – Assessing the NMW – M Bryan	Examples to be covered include failure in the agricultural sector, transport sector, labour market, and housing. There are many practical examples of these failures.



Schemes of work for:

**Unit 1: Competitive Markets – How they work and why they fail**

## **Unit 2: Managing the Economy**

These schemes are based on a one-year course for AS, with both Unit 1 and Unit 2 being taught throughout the year. Given the holistic nature of Unit 2 it is recommended that the Unit 2 course is taught from the outset, giving students the chance to take some time to settle into the handling of some fairly advanced analytical tools.

The schemes are based on a four- to five-hour per week timetable for Economics, with the time split equally between Units 1 and 2.

### **Scheme of work – two teachers**

*Kindly submitted by Russell Dudley-Smith of Westminster School*

Planned on the basis of lower sixth: Teacher A has four 40-minute periods a week, Teacher B three periods. Upper sixth: both teachers have four periods a week.

Note: the items show in italics are suggested extension work, and not expected at GCE level.

### **Lower sixth**

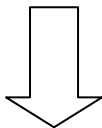
Lower sixth term 1	Teacher A	Unit 1 Markets: how they work
	Teacher B	Unit 2 Managing the economy
Lower sixth term 2	Teacher A	Unit 1 Markets: how they fail
	Teacher B	Unit 2 Managing the economy
Lower sixth term 3	Revision	Reversal of content by teachers

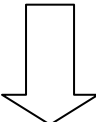
### **Examination programme**

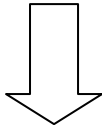
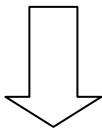
June End of lower sixth year	<b>Unit 1</b>	<b>Unit 2</b>		
Jan Midway through upper sixth	Unit 1 retakes	<b>Unit 3</b>		
June End of upper sixth	Unit 1 retakes	Unit 2 retakes	Unit 3 retakes	Unit 4

## Lower sixth term 1: Teacher A's scheme of work

(Target is Unit 1; one teacher, four periods a week, one fourteen-week term.)

<p>Scarcity, choice and the division of labour</p> 	<p>Scarcity theory. Opportunity costs. The fundamental economic problem (finite resources, infinite wants) discussed. Broad introduction of how this is resolved in competitive markets and a discussion of how much government intervention is needed to support this. Place in context of the environment: renewable and non-renewable resources. Presentation on PPF. Use PPF to define and illustrate concept of opportunity cost, growth, unrealisable outcomes. Illustrate how a change in consumption might lead to a change in production along the PPF. Discuss factors likely to cause a shift in the PPF. Explain Pareto efficiency in context of movements towards boundary of PPF.</p> <p>Explain shape of PPF in terms of changing opportunity costs. Do this numerically for unit changes along the horizontal axis. Be sure that they can work out the gradient of a linear function.</p> <p>Factors of production. Land, labour, capital, entrepreneur. Specialisation. Potential gains from the division of labour (Adam Smith). Impulse to trade: scope of market expands to justify division of labour. The disadvantages of over-specialisation <i>extend beyond the economic: introduction to Marx</i>.</p> <p>Positive versus normative statements in economics. They need lots of examples to fix this idea. Ensure that normative statements are defined as those involving value judgements (<b>not</b> 'matters of opinion'), and positive statements as those asserting empirical states of the world.</p> <p><i>Critique of the positive/normative distinction (eg all facts are theory laden, so what informs the principles of selection?).</i></p> <p><b>Resources:</b> Smith Chapters 1, 2: Ensure students have noted these chapters for homework. Video on health service budgeting.</p> <p><b>Recommended alternative teaching methods:</b></p> <ol style="list-style-type: none"><li>1 Ask them at some point to research Adam Smith on the internet (eg advantages of the division of labour) – and use this as an opportunity to explain and reinforce departmental/school plagiarism policy.</li><li>2 Health service expenditure decision-making exercise (small groups) – use actual data of treatment costs.</li></ol> <p><b>Assessment:</b> Ensure students do the timed written test on a past question (from selection provided) on this section no later than three weeks into teaching.</p> <p>Introduce supported choice questions from papers provided. Go through a number before setting any as a test. Explain assessment objectives for these questions and the importance of using diagrams (or annotating those provided), definitions, application.</p>
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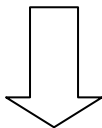
<p>Market mechanism</p> 	<p>Discussion of alternative ways of allocating resources. <i>Free rider problem</i>. The mixed versus free market economy. Advantages and disadvantages.</p> <p>Factors affecting demand, factors affecting supply. Demand and supply, equilibrium. Exogenous shocks and endogenous adjustments – shift each curve up and down and explain adjustment to equilibrium: I usually do this with respect to a commodity market, eg frozen orange juice. Terminology is currently ‘movement along curve’ for endogenous, ‘shift of curve’ for exogenous. Applications to foreign currency market, labour market, housing market. Typically for each market spend a double period, giving institutional background, significance to the UK economy – and in particular link to their macroeconomic course.</p> <p><b>Extension work:</b> <i>idea of marginal costs in deriving supply curve. Discussion of ‘modelling’, eg predator-prey exercise, chaos simulation – contrast with results of trading simulation game. Introductory discussion of utilitarianism – historical context, strengths and weaknesses of Bentham’s approach.</i></p> <p><b>Resources:</b> Smith, Chapters 3, 4 and 5. These should be noted by students for homework. Indicate to them section of Chapter 3 on elasticities to omit until second half of term (though for a top set it’s worth them noting the entire chapters).</p> <p><b>Recommended alternative teaching methods:</b></p> <ol style="list-style-type: none"> <li>1 Research in groups on different mixed economies, followed by class discussion of similarities and differences.</li> <li>2 Simulation of market game with ‘buy’ / ‘sell’ sheets.</li> <li>3 Full experimental simulation of markets.</li> <li>4 Market versus mixed economy poster-making exercise.</li> </ol> <p><b>Assessment:</b> Timed one period test essay on ‘significance of the concept of scarcity in economics’ <b>before half term</b>. In addition, ensure that you have gone through at least one past Unit 1 data response question on command versus mixed economies <b>and</b> set one as a class test.</p> <p><i>* Should be here by half term *</i></p>
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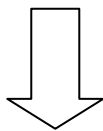
<p>Welfare</p> 	<p>Consumer surplus. Explain in concrete terms first. Definition, diagram – in terms of ranking consumers in order of what they were prepared to pay.</p> <p>Producer surplus. Definition, diagram – in terms of contribution to profit.</p> <p>Welfare maximisation at market equilibrium. First case against monopoly. Effect of shift in demand and supply on welfare area.</p> <p>Entry and exit of firms: <b>price signalling</b>. Illustrate in terms of demand and supply but also PPF (to hint at general equilibrium). How the price mechanism rations scarce resources.</p> <p>Review concept of scarcity and choice. Keep returning to endogenous/exogenous aspects of modelling a market.</p> <p><b>Extension work:</b> <i>usually give them something by Milton Friedman to read at this point (eg first chapter from Free to Choose).</i></p> <p><b>Resources:</b> Smith, Chapter 5. Many articles from <i>The Economist</i> are relevant here.</p> <p><b>Recommended alternative teaching methods:</b></p> <p>Rank students in terms of what they are prepared to pay to, for example, go and get a cup of coffee and construct their demand curve. Calculate consumer surplus.</p> <p><b>Assessment:</b> Ensure students do one timed past question (30 minute) test in the first three weeks after half term.</p>
<p>Elasticities: application to indirect taxes</p> 	<p>Explain why elasticities matter – in terms of pricing strategies, eg in terms of targets for government tax collection. Example of why <b>percentage changes are used</b>, not just changes.</p> <p>PED, YED, XPED defined. Revision of percentages. Numerical examples, including those where the PED is known but the new quantity or price is not. Students will need to practice calculating elasticities under timed conditions. Distinguish: normal and inferior goods, complements and substitutes.</p> <p>PES. Reserve a lesson for this – it tends to get overlooked! Definition, diagrams of the various cases.</p> <p>Effect of an indirect tax in shifting the supply curve (contrast with direct tax effect on demand curves). Do in terms of supply curve shifting up vertically by the amount of the tax. Opposite effect of a subsidy.</p> <p>Incidence of indirect taxes – consumer and producer incidence. How these depend upon the PED and PES – do the four extreme examples, then draw general conclusion. Repeat exercise for indirect subsidies. Welfare impact of indirect taxes and subsidies. Sketch of the arguments for and against different kinds of taxation.</p>

	<p>The short run versus the long run: impact on PES.</p> <p>Application of market theory to the stock market, labour market (not MRP) including factors affecting supply of labour, oil market and other commodities. Understand causes of price fluctuations and impact of cartels in some markets (eg OPEC). Understand effect of government intervention, eg minimum wage, impact of union in a competitive labour market.</p> <p><b>Extension work:</b> Explanation of changing PES along a linear supply curve. Deadweight loss from indirect taxes. Monopsony labour markets.</p> <p><b>Resources:</b> Smith, second half of Chapter 3.</p> <p><b>Recommended alternative teaching methods:</b></p> <p>Getting to grips with elasticities requires a great deal of repetition. Spend at least one period doing examples with whole group, and another period doing examples as a worksheet individually.</p> <p><b>Assessment:</b> Department wide mock Unit 1 examination in first double period of penultimate week of term.</p> <p><b>* End of term 1 *</b></p>
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## Lower sixth term 1: Teacher B's scheme of work

(Target is first half of Unit 2: one teacher, three periods a week, one 14-week term.)

<p>Key indicators of economic performance</p> 	<p><i>There may be some surplus time for this teacher. By all means (according to preference but in consultation with Teacher A) do extension work on the Unit 1 syllabus for some of the time.</i></p> <p>Overview of definition and significance of each of the key indicators of economic performance. Inflation (explanation of cost of living, construction of CPI, contrast with RPI, descriptive outline of role in monetary policy), unemployment (ILO and Claimant Count), balance of payments (emphasis on main components of current account), growth.</p> <p>Index numbers. Do this in terms of both inflation and GDP. Use real data series. How to work out simple index numbers. Distinguish between changes in rates of growth and levels, eg in inflation, real GDP, wages, house prices.</p> <p>Nominal versus Real GDP. This is another topic that requires some repetition. I suggest doing it in tangible terms first (eg Mars bars) before introducing GDP in current versus constant prices (terminology they need to know). Distinguish between total and per capita GDP.</p> <p>Wealth versus income in terms of stocks and flows. UK wealth distribution figures make interesting reading. Wealth as the accumulation of assets, made possible in high income countries.</p> <p>Problems of definition and measurement for each indicator of economic performance: GDP and inflation especially.</p> <p>Problems of comparing GDP levels across countries. Standard of living not to be confused with real GDP. Thus the Human Development Index (HDI): assess the usefulness of this.</p> <p>Background information on the problems of finding the right PPP exchange rate - best done with a simple numerical example explaining arbitrage but problem of goods differing between countries, information failures etc.</p> <p>Alternative measures of development – use examples from the latest UN Development Report. Correlation graphs for various indicators – work at suggesting reasons for differences.</p> <p>Circular flow of income. Injections and withdrawals. Marginal propensity to consume. Marginal propensities to save, tax, import. The multiplier.</p> <p>Description of the division of labour between the Treasury and the Bank of England. Overview of the current policy framework with some description of the golden rule and its rationale. The use of taxation and interest rates to manipulate the circular flow. The variety of policies available in outline.</p>
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The control of inflation. Costs of inflation. Causes of inflation (not in Aggregated demand (AD)/Aggregated Supply (AS) framework). Controlling inflation. Current anti-inflation policy – the Monetary Policy Committee (MPC).

Introduction to the basket of indicators used by the MPC – at least one double period spent looking at the minutes of a recent MPC meeting.

Causes and costs of the various kinds of unemployment.

Comparison of employment and unemployment figures and a consideration of possible reasons for these patterns, eg migration.

Reasons for, and consequences of, current account imbalance. Give them data from the Pink Book on the trade in goods, and trade in services, accounts, and run through reasons for the changes over the last ten years.

**Extension work:** A double period exploring and changing the Excel computer model of the circular flow (available from [coler@cheltladiescollege.org](mailto:coler@cheltladiescollege.org)).

It is worth bearing in mind that students find the idea of the circular flow particularly difficult and need to be provided with several different angles on the multiplier concept before they are likely to understand it.

**Resources:** Smith, Chapter 11. Use newspaper articles about current state of UK economy to make lessons motivating. The back pages of the Economist have current UK and European macro data. [www.statistics.gov.uk](http://www.statistics.gov.uk) for time series.

**Recommended alternative teaching methods:**

Simulation session using the circular flow model – extension work, and homework extending the model. Excel data presentation exercise: index numbers and plotting charts. Assess the forecasts made by economics teachers – factors affecting the key economic variables: student groups do their own forecasts.

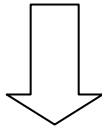
**Assessment:** It is not really possible to set past questions during this term (ie before the introduction of the AD/AS model) so the burden of assessment inevitably falls on Unit 1.

However, teachers should formally test 1) Basic Macro-economic definitions and institutions at the end of the first half of term, and 2) student Understanding of the circular flow, multiplier etc towards the end of the second half of term.

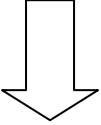
\* End of term 1 \*

## Lower sixth term 2: Teacher A's scheme of work

(Target is second part of Unit 1; one teacher, four periods a week, one ten-week term.)

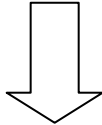
<p>Market failure</p> <p>1 Monopoly</p>  <p>2 Externalities</p> <p>3 Public goods: information asymmetry</p> <p>5 Labour market imperfections</p> <p>6 Price volatility</p> <p>Cost benefit analysis</p> <p>Government intervention</p>	<p><i>The order in which these topics are taught does not matter. The only requirement is to have covered the main areas of market failure by the mock examination which takes place early in the second half of this term.</i></p> <p>Definition of market failure in terms of inefficient allocation of resources by the price mechanism (refer back to welfare concepts).</p> <p>Economies of scale – include specific varieties as well examples in real business contexts. Diagram of falling long-run average costs. External economies of scale plus examples. Diseconomies of scale. Monopoly as market failure. Barriers to entry. Examples: innovation versus price competitiveness. This topic should include a couple of contrasting case studies.</p> <p>Both positive and negative externalities should be covered. Limit the discussion of positive externalities to shifts in the demand curve, negative externalities to shifts in the supply curve. Be sure to teach externalities in terms of marginal costs and benefits. Students need to know that the divergence between private and social is the externality (on the diagram the vertical distance is the marginal externality).</p> <p>Welfare analysis of externalities: the dead weight loss area from both positive and negative cases.</p> <p>Definition of public goods as opposed to private goods, plus examples. The free rider problem.</p> <p>Distinguish general information failure with asymmetric information. Adverse Selection, Moral Hazard. Give examples in labour market, health insurance, drugs, pensions, education.</p> <p>The immobility of labour: regional, occupational, social. Significance of the housing market. Relate back to the PPF.</p> <p>Contrast with the mobility of labour from EU countries. Effect on unemployment. Government policy to improve the mobility of labour.</p> <p>Exogenous shocks, low price elasticities of demand and supply, and the effect of time lags in commodity and other markets. The Cobweb Model.</p> <p>The nature of market failure. Application to host the Olympics, World Cup football, rail links, new airport projects. Principles for assessing the costs and benefits (<i>note: discussion of what is not included in cost benefit analysis</i>). Students should do some project work on a topic of their choice.</p>
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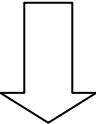


<p>Government failure</p> <p>Case studies</p> 	<p>To address the market failures discussed above. Taxes and subsidies, buffer stock schemes in agricultural markets. Maximum and minimum prices, including pros and cons of minimum wage. Tradable permits and quantitative controls. Apply particularly to current hot topics, eg carbon footprints.</p> <p>Definition in terms of where government creates a worse misallocation of resources than that achieved by the market, so reducing welfare. Go through each possible government response to the market failures and discuss possible <i>government</i> failure.</p> <p>Please also include one non-standard case study (eg tax on rubbish collection, information difficulties using <i>eBay</i>) to show that the concepts can be transferred to whatever context the examiners come up with.</p> <p><b>Extension work:</b> With a fast set it is worth exploring welfare concepts more formally, eg in terms of more formal cost-benefit analysis, general equilibrium, time discounting ('how much should we value a human life') etc.</p> <p><b>Resources:</b> Smith chapters 6, 7, 8, 9, 10 plus case study stimulus material provide at beginning of term.</p> <p><b>Recommended alternative teaching methods:</b></p> <p>Double period Lemon Simulation Game and double period Public Good Experimental Game are very enjoyable and enlightening.</p> <p>This work is ideal material for small group discussion using stimulus material. This can also productively translate into poster-making sessions.</p> <p><b>Assessment:</b> Teachers should introduce complete past Unit 1 papers during term two. Mock examination early in second half of term.</p>
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## Lower sixth term 2: Teacher B's scheme of work

(Target is second half of Unit 2; one teacher, three periods a week, one ten-week term.)

<p>The AD and AS macro-economic model</p> 	<p>Aggregate demand. Explaining why the AD curve slopes downwards. Do this both in terms of total nominal expenditure (rectangular hyperbola) and in terms of income and (international) substitution effects. Note: labelling of axes needs to be emphasised, price level and real output. Also explain that real output is also real income.</p> <p>Components of AD and their relative significance for the UK economy. Factors causing a shift in the AD curve. Relate back to injections and withdrawals. Distinguish between international substitution effects, income effects and wealth effects following, say, changes in the exchange rate including significance of elasticities, house prices, world income levels etc.</p> <p>Aggregate supply. Explain why the AS curve slopes upwards (link to diminishing marginal returns explained in Unit 1). Relation of AS curve to the PPF (Unit 1). Note: only derive short run AS curves, representing the long run as shifts in the AS curve. Do not use vertical AS curves for this unit.</p> <p>Factors causing a shift in the AS curve, including changes in import costs (eg via the exchange rate). Relate back to discussion of causes of shifts in the PPF (Unit 1).</p> <p>Equilibrium – in terms of price level and real output level. Comparative statics – shifts in AD/AS leading to changes in the equilibrium price level and level of real output. Relate model back to the circular flow concepts covered in the first term.</p> <p>Changes in equilibrium following exogenous shocks: it is essential to cover the key areas of house prices, stock market, exchange rate changes (on both AD and AS), and oil price changes.</p> <p>Using the AD/AS framework to analyse policy shifts: note that these should be policies usable in the current institutional framework – demand side policies versus supply side policies. Place in the context of a discussion of the significance of the output gap.</p>
<p>Macro-economic Policy</p>	<p>Macro-economic objectives and conflicts between them. Causes and consequences of economic growth. Endogenous versus exogenous factors. Demand side versus supply side growth. The environment and growth: causes, policy remedies. The balance of payments and growth. Growth and the fiscal balance. Other conflicts, eg between unemployment and inflation as in the short run Phillips curve.</p> <p>Manipulation of aggregate demand. Explain the difference between fiscal and monetary policy and evaluate the strengths and weaknesses of each. Evaluate a number of different supply side policies, eg those designed to extend the scope of the market, increase market efficiency, and raise incentives.</p>

	<p>Leading and lagging indicators. Pro- and counter-cyclical policy.</p> <p>Discuss macro-economic policy making <i>in the current economic climate</i>. Students should be aware of changes in the major aggregates over the last ten years (I suggest getting them to draw graphs of each).</p> <p>The institutional arrangements for monetary and fiscal policy in the UK. How these transmit using the AD/AS model. Targets versus instruments in macro-economic policy making. Evaluation of supply side policies (eg from the most recent Budget statement).</p> <p>Some revision of possible conflicts/side effects of policy targeting should be discussed.</p> <p>Towards the end of this term some consideration of the contents of the Budget is required. Students should study at least one set of minutes from a Monetary Policy Committee meeting.</p> <p><b>Extension work:</b> the obvious integrating idea here is the <i>output gap</i>. It is worth exploring this concept both in time series and in AD/AS terms.</p> <p><b>Resources:</b> Smith chapters 12-15. NJM has a set of monopoly money which is useful for illustrating the concept of the multiplier.</p> <p><b>Recommended alternative teaching methods:</b></p> <ul style="list-style-type: none"> <li>• A double period making a forecast of the output gap is worthwhile.</li> <li>• Once the AD/AS framework is in place it is a good idea to do some policy simulations on the Bized Model: available at 'virtual economy' <a href="http://www.ifs.org.uk">www.ifs.org.uk</a>. Also set this for homework, eg a cut in income tax (best to vary just one parameter) and get them to print out the graphs and explain the resulting trajectories of GDP, inflation, the fiscal position etc.</li> <li>• A poster-making session on the current state of the UK economy or on the contents of the Budget.</li> </ul> <p><b>Assessment:</b> Teachers should introduce <i>complete</i> past Unit 2 papers throughout the spring term, setting at least two whole papers as tests.</p>
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## Lower sixth term 3: Scheme of work

There is no specific scheme of work for the summer term, which is reserved for revision.

The principle is that the two teachers who share each set swap roles: from micro to macro and vice versa. This ensures that students get a greater depth of focus on each topic.

It is important that each teacher works through the relevant topics systematically, in order to cover any material for which students may have been away during the earlier terms.

A great deal of time (as much as every other lesson) should be reserved for either tests or working through past questions in class.

It is extremely helpful, particularly in the early stages of revision, to ask students to complete sub-sections of past questions under timed conditions, with an emphasis on attention to the assessment objectives for each unit.

### Scheme of work – one teacher

*Kindly submitted by Nick Maloney of Wellington School*

## Outline scheme of work

### Principles

- In each term, do a mixture of micro and macro – macro knowledge often comes late in the day and some basic concepts early on will allow students to follow events in the media.
- The scheme assumes an even split between micro and macro.
- Aim to have covered all the concepts in the syllabus by Easter so that the summer term can be used for revision and exam preparation.
- Primarily use past Edexcel exam questions from January onwards for written work to prepare students for assessment.

### Examination programme

This scheme of work assumes no examinations are to be taken in January except for Unit 1 retakes.

## Lower sixth – AS Economics

First term

Concepts to cover by half term:

Micro	Macro
<p>Scarcity</p> <p>Opportunity cost</p> <p>PPF</p> <p>Factors of production, specialisation and division of labour</p> <p>Objective and value judgments</p> <p>Demand and related elasticity measures</p> <p>Supply and elasticity</p> <p>Price determination and simple curve shifts</p>	<p>Measures of the economy:</p> <ul style="list-style-type: none"> <li>GDP, inflation, unemployment/employment, current account, HDI, other structural and quality of life indicators</li> <li>Real and nominal</li> <li>Index numbers and basic data interpretation</li> </ul> <p>PPF: introduce investment (capital) and consumption, introduce output gap and illustration of unemployment</p> <p>Circular flow and multiplier</p> <ul style="list-style-type: none"> <li>Look at effect of an increase in G on AD</li> <li>Introduce idea of 'fiscal stance'</li> </ul>

Concepts to cover after half term:

Micro	Macro
<p>Consumer and producer surplus</p> <ul style="list-style-type: none"> <li>Basic welfare analysis – why free market maximises welfare</li> </ul> <p>Role of price mechanism</p> <ul style="list-style-type: none"> <li>Mixed economies – advantages and disadvantages of a pure free market economy</li> </ul> <p>Application of demand and supply framework to a variety of markets including labour, commodity and asset markets</p> <ul style="list-style-type: none"> <li>Indirect taxes and per unit subsidies</li> <li>Price floors and ceilings, eg national minimum wage</li> </ul>	<p>AD and its components (C+I+G+X-M)</p> <ul style="list-style-type: none"> <li>Briefly look at factors influencing each</li> <li>Introduce idea of transmission mechanism – 'cause' and 'effect'</li> <li>Shifts in AD</li> <li>Relate to circular flow model</li> </ul> <p>AS</p> <ul style="list-style-type: none"> <li>Bring in concept of Phillips Curve to explain shape</li> <li>Shifts in AS</li> </ul> <p>AD/AS equilibrium</p> <p>Trend growth rate</p>

<ul style="list-style-type: none"> <li>• Effect of tax and benefits on the supply of labour (introduction of income and substitution effects)</li> </ul>	<p>Output gap analysis</p> <p>Monetary policy</p> <ul style="list-style-type: none"> <li>• Introduce current UK framework</li> <li>• Look at how an interest rate change affects the UK economy (transmission mechanisms)</li> </ul> <p>Fiscal policy</p> <p>Look at effect of government spending and tax changes using AD/AS analysis</p>
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## Second term

### Concepts to cover by half term:

Micro	Macro
<p>Market failure – definition</p> <ul style="list-style-type: none"> <li>Look at assumptions of a 'perfect market'</li> </ul> <p>Externalities</p> <ul style="list-style-type: none"> <li>Examples of government intervention</li> <li>Tax, subsidy, prohibition, property rights, tradeable permits, regulation (CandC)</li> </ul> <p>Information failure</p> <ul style="list-style-type: none"> <li>Merit and demerit goods</li> <li>Solutions: tax and subsidy, prohibition and promotion</li> </ul> <p>Public goods</p> <ul style="list-style-type: none"> <li>Look at pure and quasi public goods</li> <li>Free-rider problem</li> </ul>	<p>Causes and constraints on growth</p> <p>Look at recent UK economy and identify causes and constraints – use AD data as a starting point</p> <ul style="list-style-type: none"> <li>Discuss 'unbalanced' versus 'balanced' growth</li> </ul> <p>Costs and benefits of growth</p> <p>Macro objectives of government</p> <ul style="list-style-type: none"> <li>Look at simple conflicts between objectives</li> </ul>

### Concepts to cover after half term:

Micro	Macro
<p>Information failure</p> <ul style="list-style-type: none"> <li>Asymmetric information</li> <li>Moral hazard and principal-agent problem – solutions such as incentives and observation</li> <li>Adverse selection and lemon theory – solutions such as signalling and collective provision</li> </ul> <p>Volatile prices</p> <ul style="list-style-type: none"> <li>Causes – inelasticity, uncertainty and time lags</li> <li>Effects on producers and consumers</li> <li>Solutions – buffer stocks, minimum prices</li> </ul>	<p>Supply side policy</p> <ul style="list-style-type: none"> <li>Focus on productivity – shifting the PPF</li> <li>Government spending (fiscal) versus changes in regulation</li> </ul> <p>Evaluation of macro policies</p> <ul style="list-style-type: none"> <li>Time lag between implementation and outcome</li> <li>Uncertainty of outcome</li> <li>Conflicting objectives: equity, environment, inflation, unemployment, growth, current account</li> </ul>

<p>Cost-benefit analysis</p> <p>Government failure – definition</p> <ul style="list-style-type: none"> <li>• Evaluation of various government attempts at solving market failure</li> </ul> <p>Look at current policies such as: congestion charge, carbon emissions trading, smoking ban, extension of compulsory education to 18</p>	<p>Analysis of Budget statement</p> <p>Look at fiscal stance, supply side impact, assessment of government forecasts</p>
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### Third term

#### Before examinations:

Systematic revision of syllabus using exam questions to frame discussion. Do a mixture of short definition, diagram and supported choice tests and written responses to exam questions.

#### After examinations:

There are a variety of approaches possible here. Tackling an interesting part of the A2 syllabus may help alleviate pressure next year. For example, game theory or differences between developed and developing economies. A project-based approach may allow students to pursue their own interests.



# Unit 3: Business Economics and Economic Efficiency

## Suggested delivery/activity schedule

### Basic reading references

Anderton A – *Economics, 4th Edition* (Causeway Press, 2006) ISBN 1902796926

Cramp P – *Labour Markets: The Economics of Work and Leisure, 3rd Edition*, (Anforme, 2006) ISBN 190550408X

Ellis B – *Microeconomics A2 Economics Resource Pack* (Hodder Arnold, 2002) ISBN 0860032663

Griffiths A and Wall A – *Applied Economics, 11th Edition* (Prentice Hall, 2007) ISBN 0273708228

Parkin M, Powell M and Matthews K – *Economics, 7th Edition* (Pearson Education, 2007) ISBN 1405893257

Sloman J – *Economics* (Pearson Education, 2003) ISBN 0582821649

*Economic Review* (ER) magazine – Philip Allan Updates

*Economics Today* (ET) magazine – Anforme

Timing	Content	Reading/activities	Comments/notes
2 hours	<p>The role of firms in a capitalist society:</p> <ul style="list-style-type: none"> <li>• different types (by legal structure)</li> <li>• different types (by size)</li> <li>• a brief introduction to the motive of firms (refer to costs, revenue and profit)</li> </ul>	<p>Anderton, Unit 51</p> <p>Cramp, section A, units 1-3</p> <p>Griffiths and Wall, Chapter 4</p> <p>Ellis, pages 71-77</p> <p>Parkin, Powell and Matthews, pages 203-205 and 208</p>	<p>To act as an introduction to the unit. Link back to the micro concepts with which they are already familiar, particularly supply. Mention the potential drive to monopolisation as an example of market failure.</p>

Timing	Content	Reading/activities	Comments/notes
1.5 hours (total to date 3.5 hours)	How firms grow: <ul style="list-style-type: none"> <li>• internal expansion</li> <li>• external growth, mergers, take-overs etc</li> </ul>	Anderton, Unit 64 Griffiths and Wall, Chapters 5 and 7 Ellis, pages 52-57	Review of concentration ratios.
4.5 hours (total to date 8hours)	Costs, revenue and profit: <ul style="list-style-type: none"> <li>• costs</li> <li>• S-R, L-R</li> <li>• average, marginal, total etc</li> <li>• link to the law of DR</li> <li>• link to supply curve</li> </ul> Revenue: <ul style="list-style-type: none"> <li>• average, marginal, total etc</li> <li>• link to the D curve</li> </ul> Profit and profit maximization Barriers to entry and exit	Anderton units, 46, 47, 48, 49 Cramp, Unit 4 Sloman, Chapter 5 Parkin, Powell and Matthews, Chapter 10 ET Vol 10 No 1, Economies of Scale, pages 23-27 ET Vol 10 No 2, U-shaped Cost Curves, page 27-29 ER 'Total, marginal, average' Nov 2004 ER 'Long-run costs and output' Sep 2003 ER 'Short run costs' Sep 2003 Anderton, Unit 52; Cramp, Unit 5; Sloman, Chapter 5.6 Anderton, Unit 17	It is important to establish these as preconditions for studying the 'theory of the firm'.

Timing	Content	Reading/activities	Comments/notes
2 hours (total to date 10 hours)	Alternative motives of firms: <ul style="list-style-type: none"> <li>• revenue maximisation</li> <li>• sales</li> <li>• behavioural theories</li> </ul>	Anderton, units 17, 18, 50 Cramp, Unit 12 Griffiths and Wall, Chapter 3	
2 hours (total to date 12 hours)	The goal of efficiency: <ul style="list-style-type: none"> <li>• productive</li> <li>• allocative</li> </ul>	Ellis, pages 79-87 ER 'Competition and Productive efficiency' April 2004	Use this to bring together much of the previous study of, for example, costs and revenue.
7 hours (total to date 19 hours)	Market structures: <ul style="list-style-type: none"> <li>• perfect competition</li> <li>• monopoly</li> <li>• comparisons and contrast with PC</li> <li>• price discrimination</li> <li>• oligopoly</li> <li>• monopolistic competition</li> <li>• monopsony</li> </ul>	Anderton, Units 53-57 Cramp, Units 7-10 Sloman, Chapters 6 and 7 Parkin, Powell and Matthews, Chapters 11, 12 and 13 Ellis, pages 44-50 Griffiths and Wall, Chapter 6 and Ellis, pages 18-22 ET Vol 11 No 3, PC v Monop pages 2-4 ET Vol 12 No 3, Monop, pages 22-25 ER 'The market for Oil' Nov 2004	Much of the groundwork for this has already been done in topics 4, 5 and 6. Use comparisons between PC and monopoly to highlight efficiency issues. Use oligopoly to look at firms' motivation. Note: focus in specification on game theory and prisoners' dilemma.

Timing	Content	Reading/activities	Comments/notes
		ER 'Cartel Problems' Nov 2003 ER 'Price Discrimination' Feb 2003 ER 'Games and Markets' Sep 2002	
2 hours (total to date 21 hours)	Pricing strategy and contestability	Anderton, Unit 58 Cramp, Unit 11 Sloman, pages 212-215 Griffiths and Wall, Chapter 9 Ellis, pages 24-31 and 33-42 Ellis, pages 59-69 ET Vol 12 No 2, Pricing strategies, pages 26-29	Make reference here to practical pricing strategies, eg cost-plus pricing etc, if not done so previously.
1.5 hours (total to date 22.5 hours)	Competition policy: <ul style="list-style-type: none"> <li>• institutions, legislation and underlying principles</li> </ul>	Anderton, Unit 63 Cramp, Unit 15 Ellis, pages 89-98 Sloman, pages 342-350 ER 'A stronger UK Comp policy' Feb 2004	

Timing	Content	Reading/activities	Comments/notes
1.5 hours (total to date 24 hours)	Privatisation and the regulation of privatised industries	Anderton, Unit 67 Cramp, Unit 14 Griffiths and Wall, Chapter 8 Ellis, pages 100-107 Sloman, pages 351-363 Parkin, Powell and Matthews, Chapter 19 ER 'Rail privatisation revisited' Feb 2003	Stress the overlap between competition policy and regulation.



# Unit 4: The Global Economy

## Suggested delivery/activity schedule

### Basic reading references

Anderton A – *Economics, 4th Edition* (Causeway Press, 2006) ISBN 1902796926

Bamford C and Grant S – *Studies in Economics and Business: The UK Economy in a Global Context* (Heinemann, 2000) ISBN 0435330462

Smith C – *International Trade and Globalisation, 3rd Edition* (Anforme, 2007) ISBN 1905504101

Tarrant R – *Friday Afternoon A-Level Economics Resources* (Philip Allan, 2008) ISBN 0340966629

*Economic Review* (ER) magazine – Philip Allan Updates

*Economics Today* (ET) magazine – Anforme

Timing	Content	Reading/activities	Comments/notes
2 hours	<p>Definition of globalisation and characteristics</p> <p>Causes of globalisation</p> <p>Implications of globalisation – costs and benefits</p>	<p>Anderton, Chapter 97</p> <p>Bamford, Chapters 5 and 8</p> <p>Smith, Chapters 8 and 9</p> <p>Tarrant, <i>Globalisation wordsearch</i></p> <p>ET Jan 05, page 2 – <i>Has globalisation been a benefit to the UK economy?</i> – Smith</p> <p>ET Jan 07, page 6 – <i>Impact of MNCs on LDCs</i> – Hodge</p>	<p>Global branding and global sourcing should be considered in the light of activity by MNCs/TNCs. Students should be aware of environmental problems caused by globalisation, eg rising greenhouse gases from cheaper transport, as well as cultural issues. Students should also be introduced to the idea that globalisation is not a new phenomenon.</p>

Timing	Content	Reading/activities	Comments/notes
		ER Feb 07, page 2 – African exports and globalisation – Morrissey ER Feb 07, page 29 – Globalisation and the environment – Smith	
4 hours (6 hours to date)	Patterns of trade, including between developed and developing nations Law of comparative advantage <ul style="list-style-type: none"> <li>• results</li> <li>• evaluation</li> </ul> Costs and benefits of trade Nature of trading blocs and role of WTO	Anderton, Chapters 14, 40 and 98 Bamford, Chapter 4 Smith, Chapters 1 and 2 Tarrant – <i>Trading blocs bingo</i> ET Mar 06, page 12 – <i>Effect of China on trade</i> – Smith	Students should be encouraged to look at how patterns of trade have changed, particularly with reference to the growing importance of trading blocs. They should know the characteristics of the various types of trading bloc (eg Free Trade Areas, Customs Unions), and understand the idea of trade creation and trade diversion (which links to the conflict between blocs and the WTO). PPFs should be used to illustrate comparative and absolute advantage.
3 hours (9 hours to date)	Reasons for protectionism Understanding of tariffs, quotas, subsidies to domestic producers and other non-tariff barriers Tariff and quota diagrams Evaluation of tariffs, quotas, subsidies, and protectionism in general	Anderton, chapters 40 and 103 Smith chapters 10 and 11 Tarrant – <i>Free trade and protectionism matching</i> ER Sep 06, page 2 – <i>US protectionism and China</i> – Whittock ET Mar 07, page 6 – <i>implications of the rise in protectionism</i> – Reeves	Arguments for protectionism should include infant industries and employment protection. Students should be aware of current examples of protectionist measures, and consequent retaliation. Deadweight welfare loss triangles should be used on tariff/quota diagrams as part of their evaluation. Able students could be introduced to the ideas of David Ricardo regarding the benefits of free trade versus protectionism.



Timing	Content	Reading/activities	Comments/notes
2.5 hours (11.5 hours to date)	<p>Components of the balance of payments account</p> <p>Causes and effects of imbalances on the current account</p> <p>Evaluation of measures to correct imbalances on the current account</p>	<p>Anderton, Chapters 30, 94 and 96</p> <p>Smith, Chapter 3</p> <p>Tarrant – <i>Balance of payments missing words</i></p>	<p>Students should understand the components within the current account, and should be aware of which components record deficits or surpluses on the UK's BoP. Students should consider the size of deficits or surpluses on the current account in a global context, and examine the implications of large imbalances between countries. Measures to correct imbalances on the current account include expenditure- reducing, expenditure switching and supply- side policies; each of these should be evaluated and students should be encouraged to reach their own conclusions as to the most appropriate measure. Students should consider the option of doing nothing, in light of theory on floating exchange rates.</p>
2.5 hours (14 hours to date)	<p>Determination of floating exchange rates</p> <p>The impact of appreciation/depreciation on an economy</p> <p>European Monetary Union - costs/benefits</p>	<p>Anderton, Chapters 93-96</p> <p>Smith, Chapter 6</p> <p>Tarrant– <i>Exchange rates cross out and Exchange rate systems matching</i></p> <p>ET Nov 03, page 2 – <i>The value of the £ and the UK economy</i> – Loxley</p>	<p>Students should use foreign exchange market diagrams, and should understand causes of movements in the demand and supply curve. The Marshall-Lerner condition and J-Curve effect could be applied to analysis of impacts of exchange rate changes.</p>

Timing	Content	Reading/activities	Comments/notes
		<p>ET Nov 05, page 2 – <i>The effect of a depreciation of the £ on the UK economy</i> –Mikdadi</p> <p>ET Jan 07, page 2 – <i>Exchange rates</i></p>	
1.5 hours (15.5 hours to date)	<p>Measures of competitiveness</p> <p>Influences on competitiveness</p> <p>Policies to improve competitiveness</p>	<p>Anderton, Chapter 97</p> <p>Bamford, Chapters 4 and 8</p> <p>Smith, Chapters 4 and 5</p> <p>ET Jan 04, page 25 – <i>Productivity of the UK compared to its international rivals</i></p> <p>ET Mar 07, page 11 – <i>Effect of productivity growth</i> –Threadgould</p>	<p>The falling competitiveness of the UK and other ‘developed’ economies in comparison to the Newly Industrialised Countries could be considered. Students should be aware that competitiveness does not solely relate to price – quality is also important. This would be good opportunity to recap supply-side policies from Unit 2.</p>
2 hours (17.5 hours to date)	<p>Definitions of absolute and relative poverty</p> <p>Lorenz Curves and Gini coefficients</p> <p>Causes and consequences of poverty</p>	<p>Anderton, Chapters 27, 68, 69 and 99</p> <p>Tarrant – <i>Welfare economics and income distribution bingo</i> and <i>Causes of and solutions to poverty triominoes</i></p>	<p>Students should be introduced to the characteristics of LDCs. The different causes and consequences of poverty in light of developed and developing countries should be considered. Students’ understanding often benefits from actually drawing Lorenz curves from a data set.</p>

Timing	Content	Reading/activities	Comments/notes
		<p>ET Nov 03, page 30 – <i>Relative living standards between EU and accession countries</i></p> <p>ET Sep 05, page 36 – <i>Poverty and inequality in the UK</i></p> <p>ET Jan 06, page 27 – <i>Even distribution of income and economic performance – Riches</i></p>	
2.5 hours (20 hours to date)	<p>The difference between growth and development</p> <p>Causes of low rates of growth and development</p>	<p>Anderton, Chapter 100</p> <p>Tarrant – <i>Economic growth triominos and economic development dominoes</i></p> <p>ET Jan 05, page 16 – <i>How well does the HDI measure development?</i> – Hodge</p>	<p>Students could be introduced to the Human Development Index, and asked to consider other measures that they think are important in measuring quality of life. The specification provides a detailed outline of the causes of low growth rates – students should understand the nature and consequences of each of these. Case studies are important – it might be useful to analyse causes of rapid growth in countries such as China and India as a contrast.</p>

Timing	Content	Reading/activities	Comments/notes
4 hours (24 hours to date)	<p>Evaluation of the use of fiscal policy to achieve macroeconomic objectives</p> <p>Evaluation of the use of monetary policy to achieve macroeconomic objectives (especially inflation control)</p> <p>Evaluation of the use of supply- side policy to achieve macroeconomic objectives (especially economic growth)</p>	<p>Anderton, Chapters 36-40 and 79-92</p> <p>Tarrant – <i>Macro-economic Policies unit</i></p> <p>ET Sep 04, page 6 – <i>Effectiveness of supply side policies</i> – Clarke</p> <p>ET Nov 06, page 6 – <i>Is tackling inflation the most important macroeconomic objective</i> –Kulcsar</p> <p>ET Jan 07, page 22 – <i>Impact of the increased tax burden in the UK</i> – Mikdadi</p>	<p>This builds on the work on macro policies covered in Unit 2 – students should be asked to recap this AS work in preparation for their A2 lessons. Students should be aware of global causes of national macro-economic problems, and therefore be aware of the limitations of national macro-economic policies in correcting these problems. This would be a good opportunity to discuss the differences between Keynesian and Monetarist approaches, using LR and SR aggregate supply curves.</p>

Timing	Content	Reading/activities	Comments/notes
3 hours (27 hours to date)	Reasons for, and consequences of, budget/public sector deficits and surpluses Types of taxation The use of taxation and benefits to tackle poverty	Anderton, Chapters 79-81 ET Sep 04, page 2 – <i>The effect of an income tax cut</i> – Riches ET Sep 06, page 22 – <i>Balanced budget</i> – Cole ET Nov 06, page 30 – <i>Should the government use the tax and benefit system to redistribute income?</i> – Cobb	Students should be encouraged to consider the direct consequences of public sector deficits/surpluses (eg deficits can be inflationary and provide an incentive to leave the workforce to live on benefits), rather than secondary effects (eg deficits mean that $G > T$ , so taxes need to be increased to tackle the deficit). The switch from a direct tax system to one focused on indirect taxes (which are considered regressive) should be considered in the light of tackling poverty. The Laffer Curve should be introduced (this could be introduced using the appropriate clip from Ferris Bueller's Day Off).
8 hours (35 hours to date)	Evaluation of measures to promote growth and development Theories of growth and development	Anderton, Chapters 102-104 Smith, Chapters 13-15 Tarrant – <i>External assistance for development missing words</i> and <i>Models of economic growth play your cards right</i> ET Jan 06, page 2 – <i>Should economic development be left to the market</i> – Hodge	An extensive list of measures to promote growth and development is provided in the specification. Students should understand the nature of each of these, and be able to evaluate them, remembering that different measures will be valid depending on the nature of the country requiring assistance (eg degree of political stability/corruption, or sophistication of transport and communication links). There is significant debate regarding the impact of fair trade schemes, particularly with respect to the coffee market – much of the literature on this is available on the internet.

Timing	Content	Reading/activities	Comments/notes
		<p>ET Nov 03, page 22 – <i>Arguments for and against foreign aid</i> – Mapplebeck</p> <p>ET Sep 06, page 11 – <i>Economic development and the environment</i> – Mallard</p> <p>ER Apr 07, page 14 – <i>Fiscal policy to eradicate child poverty</i> – Shaw</p>	<p>Students could be introduced to some of the theories of growth and development, such as Harrod- Domar, Solow, Rostow’s Stages of Growth, and the Lewis two-sector model. The role of institutions such as the IMF could be considered, and the World Bank’s Structural Adjustment Programmes (with reference to Uganda as the first ‘success’). Able students could also consider whether growth and development is actually desirable, since it may be accompanied by a number of negative externalities. The activities of pressure groups such as Jubilee 2000 could be examined. The dependence of countries such as Ethiopia on aid handouts and humanitarian relief could be evaluated as an example.</p>

## Student guide

### What do I need to know, or be able to do, before taking this course?

Some students may have studied a GCSE in Economics, GCSE in Business and Economics or GCSE in Business before studying this course, although this is not an essential requirement for studying Economics A level. What is likely to be much more important is your attitude to maths, as you will be required to interpret data and make assumptions from it. Some teachers will look for a good grade at Maths GCSE and some universities will look for the combination of GCE Maths and GCE Economics before allowing you to study for an Economics Honours degree.

### What will I learn?

**Unit 1: Competitive Markets** provides an introduction to the nature of economics and examines how the price mechanism allocates resources in markets. It analyses the nature of market failure, its causes and possible policy remedies. At the end of this unit, you should be able to apply supply and demand analysis to real-world situations and understand why markets might not allocate resources efficiently and the methods of dealing with market failure, together with an evaluation of their effectiveness.

**Unit 2: Managing the Economy** provides an introduction to the key measures of economic performance and the main objectives and instruments of economic policy. You should be able to use a basic aggregate demand/aggregate supply model to understand why demand and/or supply side policies may be seen as appropriate ways of managing an economy; predict the possible impact of such policies and recognise the assumptions involved; argue for different approaches and identify criteria for success.

**Unit 3: Business Economics and Economic Efficiency** develops the content of Unit 1 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, you should be able to analyse the pricing and output decisions of firms in different contexts. You should also be capable of making an appraisal of government intervention aimed at promoting competitive markets. Where appropriate, you should be able to relate the theoretical framework to real-world examples.

**Unit 4: The Global Economy** develops the knowledge and skills gained in Unit 2 so that they can be applied in a global context. The application, analysis and evaluation of economic models is taught as well as an ability to assess policies which might be used to deal with economic problems. An awareness of trends and developments in the global economy over the last 10 years is required.

Throughout the course you will: interpret data presented in different forms, for example tables, graphs and index numbers; carry out simple calculations, for example involving percentages and percentage change; and distinguish between real and nominal data. You will also be required to interpret diagrams and construct simple graphs.

## Is this the right subject for me?

This course is suitable for students who:

- have an interest in learning how businesses and the government create benefits and economic wealth and, conversely, how they may create costs which society has to pay, such as those associated with pollution or new house-building projects
- enjoy assessing and presenting the merits of alternative courses of action
- are interested in playing a full part in society: understanding why government pursues certain actions and how it may use the tax system to influence peoples' actions
- want to learn how to analyse data and economic models in order to suggest solutions to real-world problems or forecast future trends.

## How will I be assessed?

Unit number and unit title	Level	Assessment information
<b>Unit 1: Competitive Markets</b> How the price mechanism allocates resources in markets; supply and demand analysis; market failure.	AS	Exam length: 1 hour 30 minutes Supported multiple-choice questions where candidates write a short justification of why they chose that answer and/or why the other answers are incorrect. Worth 32 marks. One data response question out of a choice of two questions. Worth 48 marks.
<b>Unit 2: Managing the Economy</b> Measures of economic performance and main objectives and instruments of economic policy.	A2	Exam length: 1 hour 30 minutes One data-response question out of a choice of two questions. Worth 50 marks. Last question of data response will be open ended. Worth 30 marks.
<b>Unit 3: Business Economics and Economic Efficiency</b> Nature of competition between companies; different market structures; government intervention to promote competition in markets.	A2	Exam length: 1 hour 30 minutes Supported multiple-choice questions. Worth 32 marks. One data-response question out of a choice of two questions. Worth 40 marks.
<b>Unit 4: The Global Economy</b> Application, analysis and evaluation of economic models in a global context; assessment of policies which might be used to deal with economic problems.	A2	Exam length: 2 hours One essay answer with two parts, from a choice of three topic areas. Worth 50 marks. One data-response question out of a choice of two questions. Worth 50 marks.



### **What can I do after I've completed the course?**

This qualification should enable you to progress on to a straight economics degree with a focus on theory, or a degree in applied economics such as environmental economics, labour economics, public sector economics or monetary economics. Alternatively, you may like to study a business economics or mathematical economics degree. Economics can also be combined with another subject as a joint degree or with other subjects, for example politics, philosophy or history as a combined degree.

Post-university employment rates of economists are among the highest for graduates. An economics degree enables you to gain transferable skills in problem solving, quantitative analysis and communication. You are likely to find employment in finance, banking, insurance, accountancy, management and consultancy. Some students become professional economists.

### **Next steps!**

Find out:

- what grade you are likely to get in your GCSE Maths
- whether a GCE in Economics will assist you in progressing on to the degree course or in getting the job you want to do?
- about the specification and web guides for each Economics unit which can be found under the GCE Economics subject heading on [www.edexcel.org.uk](http://www.edexcel.org.uk)

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