

# **AS ECONOMICS STUDENT GUIDE**



**ECONOMICS AND BUSINESS  
DEPARTMENT**

**M. Renner    September 2015**

**fortismere**

## **‘A’ level Economics**

A level Economics aims to prepare students for Higher Education courses in related disciplines and to broaden the outlook of students studying the course as an adjunct to Science or Arts/Humanities AS/A2 Levels.

Through the study of ‘A’ level Economics, you will gain a full appreciation as to **how** the real economy operates. This knowledge can remain with you throughout your adult life, so that you can apply it in interpreting the daily news of Economic, Political and Business World.

A qualification in Economics will provide suitable foundation for study of the subject or related subjects (such as Law, Politics and philosophy) in further and higher education. You will also have gained experience of the business world that will support employment applications for a range of careers including Accountancy, Banking, Law and Administration.

The two year A level course assumes no prior knowledge of Economics, although some of you may have studied the OCR GCSE in Economics, offered by the Economics and Business Department in Years 10 and 11.

Economics is unlike almost any other subject you will have studied before and you must expect a period of uncertainty early in the course as you pick up the economist’s way of thinking and use of language. Economics is about using ideas, concepts, theories, (the economist’s toolkit), to understand and evaluate real world problems such as unemployment, differences in earnings, prices, market failure, etc

## **Background studies**

For economics, you must have an interest in current affairs. This means regularly reading a quality newspaper and journals (such as the Economist), watching television (for example, Newsnight and BBC news) and online business/economic sections of daily newspapers. You will also be asked to **subscribe to Economics Today** (£10.95). This has up-to-date articles written by Chief Examiners, leading Economists and Industrialists and thus provides a useful learning resource. In addition, Fortismere’s Library also stocks the Economic Review publication and books to aid your independent learning.

During the year, you will be invited to a trip to the Bank of England and your teachers / upper sixth students will address AS students on particular topics via the Economics Society.

## Data Responses & Case Studies

A variety of skills are tested through data responses and case studies, and you need to be able to analyse evaluate and communicate your ideas clearly on paper. Frequently numerical manipulation is also required, as is subsequent application of your results. A good answer will always contain some originality of thought and demonstrate skills of perception.

## Essay Writing

Essays reveal your ability to express thoughts in a coherent and logical way. As essay questions have evolved, there is now much more emphasis on posing questions that allow you to display higher order skills, such as *evaluation* and *analysis* and there is less emphasis on testing on lower order skills, such as knowledge and understanding. This implies that it is not possible for you to perform well in the essay paper by learning just your notes.

### Essay marking:

For answers marked by levels of response:

- To determine the level – start at the highest level and work down until you reach the level that matches the answer
- To determine the mark within the level, consider the following:

Descriptor	Award mark
On the borderline of this level and the one below	At bottom of level
Just enough achievement on balance for this level	Above bottom and either below middle or at middle of level (depending on number of marks available)
Meets the criteria but with some slight inconsistency	Above middle and either below top of level or at middle of level (depending on number of marks available)
Consistently meets the criteria for this level	At top of level

### Levels of response – Level descriptors

	Knowledge and understanding/ Application	Analysis	Evaluation
Strong		An explanation of causes and consequences, fully developing the links in the chain of argument.	A conclusion is drawn weighing up both sides, and reaches a supported judgement.
Good	Precision in the use of the terms in the question and applied in a focused way to the context of the question.	An explanation of causes and consequences, developing most of the links in the chain of argument.	A conclusion is drawn weighing up both sides, but without reaching a supported judgement.
Reasonable	Awareness of the meaning of the terms in the question and applied to the context of the question.	An explanation of causes and consequences, which omit some key links in the chain of argument.	Some attempt to come to a conclusion, which shows some recognition of the influencing factors.
Limited	Awareness of the meaning of the terms in the question.	Simple statement(s) of cause and consequence.	An unsupported assertion.

## ORGANISATION

Students are required to keep all their notes from class and wider reading in a file. Evidence of wider reading and collection of topical material must be included in relevant sections to ensure future exam success. Essays and other homework are to be included.

The following will be expected:

- Complete class notes and further directed note taking and evidence of wider reading
- Completed essays/data response answers with corrective measures and notes on the relevant topic

Evidence of wider reading, including newspaper articles – you will be expected to choose to comment on one article a week and hand in to your teacher. This will aid your analytical and evaluation skills.

- Keep up to date – Economics is one of the few subjects that is constantly changing.
- Practice your skills e.g. drawing demand and supply curves, and shifting them, simple calculations e.g. elasticity. Self-test e.g. on the factors that might shift a demand or supply curve.
- All material is organised into topic areas with revision notes
- Good quality notes
- Glossary of terms

Organisation is vital at “A” level. Students are expected to work independently and not to rely solely on teacher notes and input.

## A LEVEL ECONOMICS -- GRAPHS ET AL?

It is useful as you start out on your Economics course to understand that A level economics makes extensive use of:

- **Graphs** – More often than not, an economic argument can be understood or illustrated by the use of a simple graph. Often these graphs are more “friendly” visualisations of numerical data, helping us to see clearly relationships or trends.
- **Data** – Just as doctors need pulse rates, temperatures, heart beats etc. to help diagnose illness, so economists look to figures such as average earnings, inflation rates, unemployment, national income as “indicators” before recommending a policy. This is not rocket science but the application of some principles you have learned in GCSE Maths e.g. percentage changes or fractions. Economics at A level does not require complex mathematical techniques.
- **Terminology** – Economics has its own specialist vocabulary of specialist terms such as “externalities”. Confusingly everyday terms such as cost, capital, market and savings take on a special meaning in the subject.
- **Current Affairs** – Economics seeks to explain and predict the real world. Successful A level economists need to keep up-to-date on real world affairs and need to read a serious newspaper such as the Times or Guardian or even better the Economist. They should also try and catch TV programmes such as Newsnight or The Money Programme.

Our Department has very high standards. We **anticipate 100% attendance at lessons**, all assignments to be handed in on time and a reasonable (say 2-3) number of hours of private study on Economics to be done each week, in addition to usage of any free periods for further study. You must keep an organised folder of notes on each module.

We want informed and intelligent contributions to class discussion

Economics is a pyramid subject i.e. one week’s lessons build on another. Lateness and missing lessons could be crucial to your understanding of many topics. Always go back over notes you have taken to see if there are any gaps and to test your understanding.

TIP: There will be occasions when you cannot follow a piece of work, concept or topic covered. In this case adopt the following **three-step approach**.

**STEP ONE** – Look it up in the textbook and read it through.

**STEP TWO** – Ask someone else from the set to explain it to you – peer-to-peer tutoring is very useful.

**STEP THREE** – If you still do not understand then you must ask a member of the department. For more complex points it may involve negotiating a lunchtime session or free period. **We understand this may be necessary – do not be afraid to ask!**

The more active you can make your study, the more successful you are likely to be and the more your knowledge and understanding will increase. Do NOT be content solely with what is covered in your lessons – study at this level is about engagement with the subject and exploring real world applications of theory.

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## Self assessment

Part of the process of becoming an independent learner is developing the ability to assess your own learning. How can you improve how your study unless you know where your strengths and weaknesses lie? Too many students only engage in self assessment in the months running up to an exam – there is suddenly a realisation that some concepts and, perhaps even, whole topics have not been fully understood. It is instructive to hear how such students find it difficult to answer the most basic of questions requiring self assessment:

*What is it about this concept that you do not fully understand?*

*What, exactly, causes you problems with this concept or topic?*

*How do you think you can improve your knowledge and understanding of this topic?*

*What learning strategies work best for you?*

The problem is that we spend so much time and effort studying that we have little time to reflect on **how** we study. The result is that most of us do not, in fact, study effectively. We want to encourage you to make time in your busy study lives for this all-important reflection. You will learn more about **how** you work if you stop and think about it. Just as importantly **we** will learn more about **you** as learners, so that we can help you to become more effective in your studies.

Rather than just reporting on you at the end of a term based on what you have, or have not, achieved (summative reporting) we will be able to guide you on a regular basis on how you can improve upon your achievements (formative reporting).

## Homework policy and wider reading

It is essential that Economics students complete their homework assignments **on time**. These assignments will

- Help you become a more independent learner;
- Encourage you to read widely about economic issues and current affairs
- Consolidate the work you have done in the classroom and
- Provide you with you an opportunity to review areas of the course that you are unsure of – you can then seek help in workshops from your Economics teacher(s).

## Written homework

Written work consists of answering short data response/case study style like questions (akin to Exam Day) and (sometimes) essays. Essays will help you display high order skills, such as

evaluation and analysis, which will lead to high grades. Your work will be marked (with positive feedback) and usually returned within one week of being handed in.

### **Non-written homework / wider reading**

#### **GENERAL PREPARATION FOR THE COURSE**

You should make a regular habit of reading a quality newspaper, for example, The Times, The Independent, The Daily Telegraph, The Guardian or even The Financial Times. The style of the economic comment articles is similar to that needed for AS /A2 answers. As well as learning from articles you may also find them an interesting commentary on the economy. The Sunday broadsheets also offer a comprehensive coverage of the key issues facing the economy, in particular, David Smith writes an excellent column in the Sunday Times.

You should also watch the news on a daily basis – you may find it surprising how much is economics related. Robert Peston on the BBC offers interesting and accessible analysis of the economics issues of the day. EVERY lesson will BEGIN with a TOPICAL issue.

Don't forget the radio! Radio 4 offers excellent news coverage, but, in the morning, Radio 5 Live discusses key business stories as well as the Sport.

Finally, the Internet can be a superb resource for Economics students.

Useful websites include:

<http://www.bbc.co.uk/news/business>

<http://www.reuters.com/>

<http://www.bloomberg.com/europe>

You will be issued with a OCR textbook that you should aim to use to read up on topics *before* and *during* your study of them. You should also use the Library's resources for further reading and research.

Reading a quality newspaper/magazine => high grades. Why?

- Wider reading helps you keep in touch with current affairs
- Helps you develop your thinking and writing skills, so essential for high grade scoring students.

Recommended magazines (available in the library) are Economic Review and The Economist. You are **strongly** encouraged to purchase an annual subscription with Economics Today.

#### **Other books (to read around the subject)**

1. The Truth About Markets: Why Some Countries are Rich and Others Remain Poor – John Kay (recommended)
2. Everlasting Light Bulbs - John Kay
3. The Armchair Economist: Economics and Everyday Life
4. The Undercover Economist or The logic of life –Tim Harford

5. Made in Britain: How the nation earns its living – Evan Davis
6. Freakonomics - Steven D Levitt & Stephen J Dubner
7. Soccernomics - Simon Kuper and Stefan Szymanski.
8. Just out: Money and football. A soccernomics guide (Szymanski).
9. The \$12 million Stuffed Shark – The curious economics of contemporary art and auction houses – Don Thompson
10. How do we fix this mess? The economic price of having it all, and the route to lasting prosperity – Robert Peston
11. Misbehaving: The making of behavioural economics – Richard Thaler
12. The great Divide – Joseph Stiglitz
13. House of Debt – Atif Mian and Amir Sufi
14. Capital in the 21<sup>st</sup> Century - Thomas Piketty
15. Why Nations Fail: Origins of Power, Prosperity and Poverty (Daron Acemoglu & James Robinson)
16. Worldly Philosophers: Lives, Times, and Ideas of Great Economic Thinkers(Robert Heilbroner)

## Individual learner support – workshops

### Workshops

Economics workshops occur at least one lunchtime and /or after school. Objectives of workshops include:

- Providing *you* with an opportunity to **go over specific parts of the course in more detail**;
- Providing *you* with an opportunity to revise key Economics concepts in the run up to exams
- **Supporting your self-study** and wider reading;
- Occasionally, giving you an **opportunity to meet professionals** and learn more about career opportunities.
- *Sometimes*, you may be asked to attend a specific workshop (if you have struggled with a test or homework).



## Individual Learning Plan (target setting)

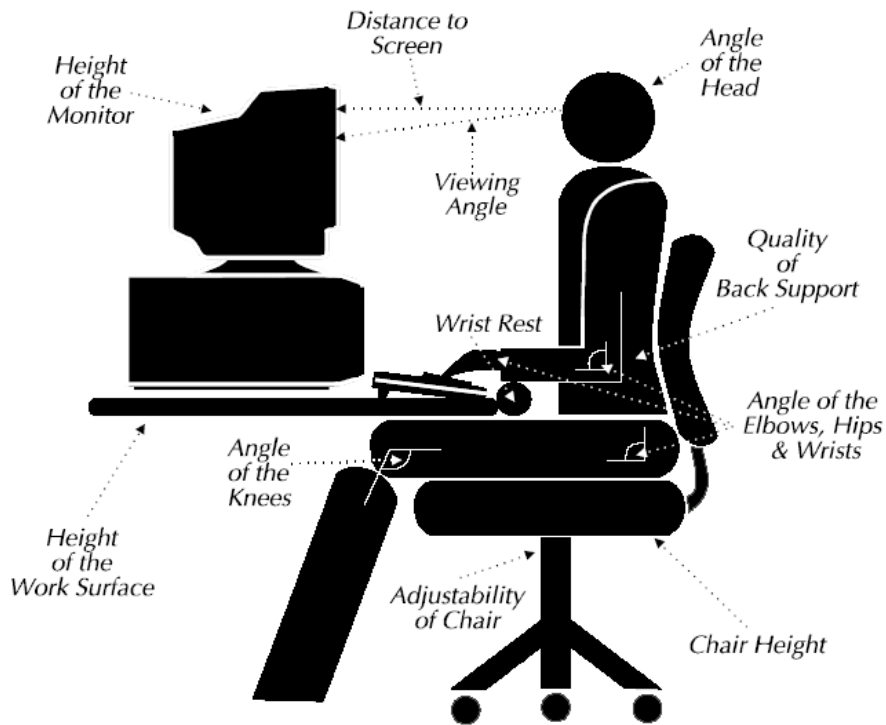
<b>September 2015</b>	
What is your target grade for AS Level <b>Economics</b> ?	
If you aim to go to university, which subjects are you considering applying for?	
Which careers are you considering?	

## **Your Safety Rules O.K.**

You are a danger whenever you are either ignorant or careless or both.

Remember that the most likely person to suffer is YOU!! So, please:

- Avoid rushing, running or leaving your bag in the aisle is to be avoided.
- Do not sit on the window sills and NEVER lean out of the window.
- Leave the classroom exits clear.
- Leave the fire extinguisher alone, unless in an emergency.
- In an emergency, all students should exit by the nearest available external door and make their way to the Assembly Point on the tennis court



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## **Economics Today – Please order**

Cost: £10.95

This is an essential magazine for A level Economics, with Prize Competitions for AS and A2 students. Features include:

AS and A2 articles are timed to coincide with the teaching year

- Articles flagged to show which Board and Unit they are relevant to
- 7 Chief/Principal Examiners will give crucial help on exam questions and techniques. Also, Economics Today is edited by a former Chief Examiner
- "Taking it Further" - a Chief Examiner will provide a short extension to each main article to challenge and equip students who wish to go a little deeper
- A BIG 52 full-colour pages in each issue including 4 FREE supplements covering: The UK Economy; The International Economy; Data Guide; and Exam and Revision Guide

It is also useful for UCAS!!

**The cost is £10.95** for the entire set of four copies for 2015/2016

**Please use parentmail to pay for this important resource by mid- September.**

**Remember Economics Review** is available in the Library! Keeps you up-to-date on latest issues.



Make regular notes of your textbook and re-read your lesson notes before each new lesson!

Think like an economist! Economics is around you every day – learn to appreciate the POWER of Microeconomics and Macroeconomics! Good luck!

Content Overview	Assessment Overview	
<ul style="list-style-type: none"> <li>• Microeconomic theory</li> <li>• How competitive markets work</li> <li>• Market failures and government intervention</li> <li>• Macroeconomy functions on a domestic and global level</li> <li>• Policy approaches</li> <li>• Macroeconomic equilibrium</li> </ul>	Microeconomics (01)* 60 marks 1 hour 30 minutes written paper	<b>50%</b> of total AS level
	Macroeconomics (02)* 60 marks 1 hour 30 minutes written paper	<b>50%</b> of total AS level

\* Indicates synoptic assessment

	Assessment Objective
AO1	Demonstrate knowledge of terms/concepts and theories/models to show an understanding of the behaviour of economic agents and how they are affected by and respond to economic issues.
AO2	Apply knowledge and understanding to various economic contexts to show how economic agents are affected by and respond to economic issues.
AO3	Analyse issues within economics, showing an understanding of their impact on economic agents.
AO4	Evaluate economic arguments and use qualitative and quantitative evidence to support informed judgements relating to economic issues.

Both 90 minutes Exams consist of:




**Section A:** 15 Multiple choice questions (15 marks => 25 minutes)

**Section B:** Data response questions (range from 1 to 10 marks) (25 marks => 30+ minutes)

**Section C:** extended writing (20 marks => 30+ minutes)



### Economist's tool kit

An economist uses a tool kit, just like a car mechanic uses a tool kit when servicing a car. While subject knowledge can be viewed as the car, economists use tools / techniques to investigate issues, just as a mechanic uses tools to service a car. You need to use and apply the skills to understand economics effectively. Look also for LINKS between topics and between micro / macro issues. This will help with the synoptic skills, very important for the essay (20 marks)

<b>Microeconomics</b>  <b>H060/01</b>	Confident 	Developing 	With difficulty 
<b>Scarcity and Choice</b>			
<b>The basic economic problem</b>			
Distinguish between economic goods and free goods  Explain what is meant by the basic 'economic problem'			
Evaluate the implications of the basic 'economic problem'  Distinguish between normative and positive statements  Distinguish between 'needs' and 'wants'			
Explain what is meant by scarcity			
Evaluate, using examples, the problem of scarcity and the requirement to make choices  Explain, using examples, the impact of sustainability on scarcity and choice			

	Confident 	Developing 	With difficulty 
Explain the role of economic agents: <ul style="list-style-type: none"> <li>• government</li> <li>• firms</li> <li>• households</li> </ul>			
Explain the nature and role of the different factors of production as economic resources  Explain the rewards to the factors of production.			
<b>The market economy</b>  Evaluate the strengths and weaknesses of the market economy			
Evaluate the role of government within the market economy.			
<b>Opportunity cost</b>			
Explain the concept of opportunity cost  Explain what is meant by a 'trade-off'			
Explain what is meant by a production possibility curve/frontier (PPC/PPF)			



	Confident 	Developing 	With difficulty 
Explain the factors causing a PPC/PPF to shift			
Explain how PPC/PPF can be used to illustrate scarcity, choice, opportunity cost and productive efficiency			
Evaluate the usefulness of the concept of opportunity cost.			
<b>Specialisation and trade</b>			
Explain what is meant by specialisation and the division of labour			
Evaluate the role of specialisation and the division of labour in addressing the problem of scarcity			
Explain how specialisation encourages trade and exchange in an economy			
Explain how money facilitates trade and exchange compared to barter systems.			




	Confident 	Developing 	With difficulty 
<b>How competitive markets work</b>			
<b>Allocation of resources</b>			
Explain what is meant by resource allocation			
Explain the impact of incentives on the behaviour of economic agents and resource allocation			
Evaluate the effectiveness of incentives on the behaviour of economic agents and resource allocation			
Explain how market, planned and mixed economies allocate resources			
Evaluate the advantages and disadvantages of different types of economy in allocating resources.			
<b>The objectives of economic agents</b>			
Explain, using examples, what is meant by maximisation			









	Confident 	Developing 	With difficulty 
Identify possible objectives of economic agents  Evaluate the different objectives of the economic agents in an economy.			
<b>Supply and demand and the interaction of markets</b>			
Explain what is meant by a market and by sub-markets			
Explain the relationship between individual and market demand			
Explain what is meant by derived, joint, composite and competitive demand			
Explain, with the aid of a diagram, the difference between a movement along the demand curve (extension/contraction) and a shift of the demand curve (increase/decrease)			
Explain the factors which cause a shift of the demand curve			




<p>Explain, with the aid of a diagram, what is meant by consumer surplus</p>	<p>Confident </p>	<p>Developing </p>	<p>With difficulty </p>
<p>Explain and calculate how changes in price affect consumer surplus</p> <p>Evaluate the impact of changes in price on consumer surplus</p> <p>Explain the relationship between individual supply and market supply</p> <p>Explain what is meant by joint, composite and competitive supply</p>			
<p>Explain the relationship between price and quantity supplied</p>			
<p>Explain, with the aid of a diagram, the difference between a movement along the supply curve (extension/contraction) and a shift of the supply curve (increase/decrease)</p> <p>Explain the factors which cause a shift of the supply curve</p>			




<p>Explain, with the aid of a diagram, what is meant by producer surplus</p> <p>Explain and calculate how changes in price affect producer surplus</p>	<p>Confident</p> 	<p>Developing</p> 	<p>With difficulty</p> 
<p>Evaluate the impact of changes in price on producer surplus</p> <p>Explain, with the aid of a diagram, how demand and supply interact to produce market equilibrium in product markets, financial markets and the markets for factors of production</p>			
<p>Evaluate the impact of changes in demand and/or supply in one market on a related market(s)</p>			
<p>Explain the causes and consequences of disequilibrium in a market</p> <p>Explain, with the aid of a diagram, how changes in the factors affecting supply and demand will impact on equilibrium price and quantity in moving from an initial equilibrium to a new equilibrium</p>			

Explain, with the aid of a diagram, why the price and output of some goods and services may be volatile			
Evaluate, with the aid of a diagram, the usefulness of demand and supply in analysing markets, such as commodities, housing and transport			
	<p>Confident</p> 	<p>Developing</p> 	<p>With difficulty</p> 
Explain the assumptions underlying the model of supply and demand			
Explain the way in which the model of supply and demand operates using a range of techniques			
Analyse the model to describe and predict economic behaviour			
Evaluate the usefulness and limitations of the economic model of supply and demand in explaining real world phenomena.			
<b>Elasticity</b>			




Explain what is meant by elasticity			
Explain what is meant by price elasticity of demand (PED)			
Calculate PED using point elasticity			
Explain, with the aid of a diagram, the different values of PED			
Explain why price elasticity of demand varies along a straight line demand curve			
	Confident 	Developing 	With difficulty 
Explain, with the aid of a diagram, the relationship between PED and a firm's total revenue			
Evaluate the factors which determine the degree of PED			
Evaluate the effect of PED on the impact of an indirect tax and of a subsidy			
Explain what is meant by income elasticity of demand (YED)			
Calculate YED			
Evaluate the significance of the numerical value and sign of YED			




Explain the difference in YED of inferior, normal and superior goods			
Explain what is meant by cross elasticity of demand (XED)			
Calculate XED			
Evaluate the significance of the numerical value and sign of XED			
	Confident 	Developing 	With difficulty 
Explain the difference in XED of substitute, complementary and nonrelated goods			
Explain what is meant by price elasticity of supply (PES)			
Calculate PES using point elasticity			
Explain, with the aid of a diagram, the different values of PES			
Evaluate the factors which determine the degree of price elasticity of supply			
Evaluate the usefulness of and significance of PED, YED, XED and PES to all economic			




agents.			
<b>Productive and allocative efficiency</b>			
Explain what is meant by productive efficiency			
Explain what is meant by allocative efficiency			
Explain what is meant by economic efficiency			
	Confident 	Developing 	With difficulty 
Evaluate the benefits of productive, allocative and economic efficiency.			
<b>Costs and revenue</b>			
Explain what is meant by: total cost (TC), total fixed cost (TFC), total variable cost (TVC), average cost/average total cost (AC/ATC), average fixed cost (AFC), average variable cost (AVC), marginal cost (MC)			
Calculate: TC, TFC, TVC, AC (ATC), AFC, AVC, MC.			

<b>Economies and diseconomies of scale</b>			
Explain what is meant by internal and external economies and diseconomies of scale			
Evaluate the causes of internal and external economies and diseconomies of scale			
Evaluate the benefits and drawbacks of economies and diseconomies of scale to a business/an industry			
	Confident 	Developing 	With difficulty 
<b>Market failure and government intervention</b>			
<b>Market failure</b>			
Explain what is meant by market failure			
Explain the implication(s) of market failure for efficiency/inefficiency			
Explain what is meant by market failure in terms of over or under consumption/production and resource allocation			



Explain what is meant by a public good			
Explain the characteristics of a public good, including: non-excludability, non-diminishability/ non-rivalry, non-rejectability			
Evaluate the role of the government in the provision of a public good.			
<b>Externalities</b>			
Explain, with the aid of a diagram, what is meant by positive and negative externalities (external benefits and external costs) of consumption			
	Confident 	Developing 	With difficulty 
Explain, with the aid of a diagram, what is meant by positive and negative externalities (external benefits and external costs) of production			
Explain what is meant by marginal social cost, marginal external cost, marginal private cost, marginal social benefit, marginal external benefit and marginal private benefit			
Explain, with the aid of a diagram, why the following cause market failure: -negative externalities			

of consumption -negative externalities of production -positive externalities of consumption -positive externalities of production			
Evaluate how the existence of externalities affects markets, such as education, health, transport and the environment.			
<b>Information asymmetries</b>			
Explain what is meant by information failure			
Explain what is meant by asymmetric information and moral hazard			
	Confident 	Developing 	With difficulty 
Explain, with the aid of a diagram, how information failure causes market failure			
Explain what is meant by merit and demerit goods			
Explain what is meant by merit and demerit goods in terms of information failures			
Evaluate the significance of merit and demerit goods.			

<b>Alternative methods of government intervention</b>			
Explain why governments intervene in markets			
Explain, with the aid of a diagram, how the government intervenes in markets to correct or reduce market failure by using, for example: <ul style="list-style-type: none"> <li>- taxation and subsidies</li> <li>- government expenditure/state provision</li> <li>- buffer stock systems</li> <li>- price controls</li> <li>- legislation and regulation</li> <li>- information provision</li> </ul>			
Evaluate the effectiveness of different types of government intervention in correcting or reducing market failure.	Confident 	Developing 	With difficulty 
<b>Government failure</b>			
Explain what is meant by government failure			
Explain what may cause government failure			

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<b>Macroeconomics</b>  <b>H060/02</b>	Confident 	Developing 	With difficulty 
<b>Economic policy objectives and indicators of macroeconomic performance (Area of Study)</b>			
<b>Economic growth</b>			
Explain what is meant by economic growth  Explain what is meant by the macroeconomic policy objectives of sustained and sustainable economic growth			
Explain what is meant by a recession			
Distinguish between real and nominal (money) gross domestic product (GDP)			
Compare changes in real and nominal (money) values of GDP over time  Explain why GDP and economic growth are measured			




<b>Macroeconomics</b>  <b>H060/02</b>	Confident 	Developing 	With difficulty 
Evaluate the difficulties of measuring economic growth and GDP			
Calculate real and nominal (money) economic growth rates  Calculate GDP per capita  Evaluate the causes of economic growth in the short and long run  Explain, with the aid of a production possibility frontier/curve (PPF/C) and an AD/AS diagram, the difference between short run and long run growth			
Evaluate the costs and benefits of economic growth  Evaluate the consequences of a recession.  <b>Employment/ unemployment</b>			
Explain what is meant by unemployment			




Explain what is meant by employment			
<p><b>Macroeconomics</b></p> <p><b>H060/02</b></p> <p>Explain what is meant by the macroeconomic policy objective of full employment</p> <p>Distinguish between the Labour Force Survey and claimant count measures of unemployment</p> <p>Evaluate the difficulties of accurately measuring unemployment</p> <p>Evaluate the causes of unemployment</p>	<p>Confident</p> 	<p>Developing</p> 	<p>With difficulty</p> 
<p>Evaluate the consequences of unemployment</p> <p>Evaluate the effects of full employment.</p>			
<b>Economic policy objectives and indicators of macroeconomic performance (Area of study)</b>			
<b>Inflation</b>			
Explain what is meant by inflation			




<b>Macroeconomics</b>  <b>H060/02</b>	Confident 	Developing 	With difficulty 
Explain what is meant by the macroeconomic policy objective of low and stable inflation			
Explain what is meant by deflation, disinflation and hyperinflation  Explain how the current official measure of inflation in the UK is constructed  Calculate the rate of inflation using index numbers			
Evaluate the advantages and disadvantages of using an index, such as the Consumer Price Index (CPI) and the Retail Price Index (RPI), to measure inflation  Evaluate the causes of inflation  Evaluate the consequences of inflation			
Evaluate the causes of deflation			
Evaluate the consequences of deflation.			





<b>Macroeconomics</b>  <b>H060/02</b>  <b>Trends in macroeconomic indicators</b>	Confident 	Developing 	With difficulty 
Explain the key trends in UK macroeconomic performance in the last 20 years			
Evaluate the current performance of the UK economy compared with other developed economies, emerging economies and developing economies.			
<b>Aggregate demand and aggregate supply (Area of Study)</b>			
<b>Circular flow of income</b>  Explain the income, output and expenditure methods of measuring national income  Explain what is meant by the circular flow of income  Explain what is meant by injections and leakages within the circular flow			




<b>Macroeconomics</b>  <b>H060/02</b>	Confident 	Developing 	With difficulty 
Distinguish between physical and monetary flows			
Explain what is meant by the average and marginal propensities to consume and save			
Explain what is meant by the marginal propensity to withdraw (marginal propensity to save, marginal rate of tax, marginal propensity to import)			
Calculate average and marginal propensities to consume, save and withdraw  Explain what is meant by the multiplier			
Explain the role and purpose of the multiplier  <b>Aggregate demand (AD)</b>			
Explain what is meant by aggregate demand			
Explain the determinants of the components of aggregate demand			

<p><b>Macroeconomics</b></p> <p><b>H060/02</b></p>	<p>Confident</p> 	<p>Developing</p> 	<p>With difficulty</p> 
<p>Evaluate the relationship between changes in income and consumption</p>			
<p>Explain the relationship between aggregate demand and the price level</p>			
<p>Explain why the aggregate demand curve may shift.</p> <p><b>Aggregate supply (AS)</b></p>			
<p>Explain what is meant by aggregate supply</p> <p>Explain why the aggregate supply curve may shift in both the short run and the long run.</p>			
<p><b>Aggregate demand and supply</b></p>			
<p>Draw and interpret AD/AS diagrams</p> <p>Understand the assumptions underlying the AD/AS model</p>			
<p>Use the aggregate AD/AS model and data to understand why supply-side <b>and/or</b> demand side policies may be seen as appropriate ways of managing an economy</p>			

<b>Macroeconomics</b>  <b>H060/02</b>	Confident 	Developing 	With difficulty 
<b>Macroeconomic equilibrium</b>			
Explain what is meant by equilibrium in the macro-economy and how it might change			
Evaluate how changes in aggregate demand and aggregate supply may affect macroeconomic performance, including economic growth, unemployment and inflation.			
<b>The application of policy instruments (Area of study)</b>			
<b>Fiscal policy</b>			
Explain what is meant by the government budget			
Identify the main sources of tax revenue and government expenditure in the UK economy			
Distinguish between current and capital government expenditure			

<b>Macroeconomics</b>  <b>H060/02</b>	Confident 	Developing 	With difficulty 
Distinguish between progressive, proportional and regressive taxation			
Distinguish between direct and indirect taxation			
Explain the features of a 'good' tax			
Evaluate the advantages and disadvantages of a flat rate tax system			
Explain what is meant by the budget position/fiscal stance			
Distinguish between a budget surplus, a budget deficit and a balanced budget			
Distinguish between the cyclical budget position and the structural budget position			
Distinguish between an overall budget position and the budget position on current expenditure			
Distinguish between a budget deficit and government debt			
Explain what is meant by national debt			




<b>Macroeconomics</b>  <b>H060/02</b>	Confident 	Developing 	With difficulty 
Explain how budget deficits can be financed			
Evaluate policies to correct a budget surplus or deficit			
Evaluate the consequences of government debt			
Explain how discretionary fiscal policy may be used to improve macroeconomic performance			
Evaluate the effectiveness of using fiscal policy to achieve the government's macroeconomic objectives			
Explain how fiscal rules can influence the behaviour of economic agents			
Evaluate the effectiveness of fiscal rules.			
<b>The application of policy instruments</b>			
<b>Monetary policy</b>			




<b>Macroeconomics</b>  <b>H060/02</b>	Confident 	Developing 	With difficulty 
Explain what is meant by monetary policy instruments / measures, such as interest rates, money supply, techniques such as quantitative easing and exchange rates			
Explain how these can be used to influence macroeconomic variables			
Explain how monetary policy instruments / measures affect the macroeconomic performance			
Explain what is meant by inflation targeting  Explain how inflation targeting may affect the behaviour of economic agents			
Explain how a central bank works to achieve its aims			
Evaluate the effectiveness of using monetary policy to achieve the government's macroeconomic objectives.			
<b>Supply side policy</b>			



<b>Macroeconomics</b>  <b>H060/02</b>	Confident 	Developing 	With difficulty 
Explain <u>policies</u> which are used to increase the quality or quantity of factors of production, <i>including</i> :			
Education and training			
Reforming tax and benefits  Reducing marginal tax rates			
National Minimum Wage legislation and promoting a 'living wage'			
Improving labour market flexibility – including consideration of the housing market  Immigration  Privatisation  Deregulation			
Trade union reform  Infrastructure investment – including consideration of transport market  Research and development (R&D) incentives			








<p><b>Macroeconomics</b></p> <p><b>H060/02</b></p> <p>Subsidies</p>	<p>Confident</p> 	<p>Developing</p> 	<p>With difficulty</p> 
<p>Evaluate the effectiveness of using supply side policy measures to achieve the government's macroeconomic objectives.</p>			
<p><b>Policy conflicts</b></p> <p>Explain the possible trade-offs which exist between policy objectives, <i>such as</i>:</p> <p>Unemployment and inflation</p>			
<p>Growth and inflation</p>			
<p>Inflation and the balance of payments</p>			
<p>Growth and the balance of payments</p> <p>Growth and income and wealth equality</p> <p>Evaluate the consequences of conflicts between policy objectives</p>			
<p>Evaluate the methods through which policy conflicts can be resolved or reduced.</p>			




<b>Macroeconomics</b>  <b>H060/02</b>	Confident 	Developing 	With difficulty 
<b>The global context</b>			
<b>International trade</b>			
Explain what is meant by international trade			
Distinguish between absolute and comparative advantage  Calculate opportunity cost ratios to illustrate the gains from trade derived from absolute and comparative advantage			
Explain what is meant by the terms of trade			
Calculate the terms of trade			
Explain how the pattern of global trade has changed over time  Evaluate comparative advantage as an explanation of global trade patterns			

<p><b>Macroeconomics</b></p> <p><b>H060/02</b></p>	<p>Confident</p> 	<p>Developing</p> 	<p>With difficulty</p> 
<p>Explain how countries achieve international competitiveness, considering <i>productivity, unit labour costs, exchange rates and product quality</i></p> <p><b>Balance of payments</b></p>			
<p>Explain what is meant by the balance of payments</p> <p>Distinguish between the current account, capital account and financial account components of the balance of payments</p> <p>Explain the <i>components</i> of the current account – trade in goods, trade in services and income and current transfers</p>			
<p>Calculate the balances on the different components on the balance of payments</p>			
<p>Explain what is meant by imbalances on the balance of payments</p> <p>Evaluate the causes of imbalances on the balance of payments</p>			

<p><b>Macroeconomics</b></p> <p><b>H060/02</b></p>	<p>Confident</p> 	<p>Developing</p> 	<p>With difficulty</p> 
<p>Explain why achieving a sustainable balance of payments position is an important macroeconomic policy objective</p> <p>Evaluate the consequences of imbalances on the balance of payments</p> <p>Evaluate policies to correct imbalances on the balance of payments.</p>			
<p><b>Exchange rates</b></p>			
<p>Explain what is meant by an exchange rate</p> <p>Explain, with the aid of a diagram, how exchange rates are determined in fixed and floating exchange rate systems</p>			
<p>Explain trends in exchange rate data</p>			
<p>Evaluate the causes of exchange rate changes</p> <p>Evaluate the consequences of exchange rate changes</p>			

<p><b>Macroeconomics</b></p> <p><b>H060/02</b></p>	<p>Confident</p> 	<p>Developing</p> 	<p>With difficulty</p> 
<p>Explain what is meant by a hybrid exchange rate system and be able to provide current examples</p> <p>Evaluate the relative merits and drawbacks of different exchange rate systems</p>			
<p>Explain why some countries might manage their exchange rate to achieve international competitiveness</p>			
<p>Explain the Marshall-Lerner condition and the J-curve</p>			
<p>Evaluate the impact of exchange rate changes on international competitiveness</p>			
<p>Evaluate the effectiveness of changing the value of a currency to achieve macroeconomic policy objectives.</p>			
<p><b>SKILLS</b></p>			
<p>I can manage my time effectively and meet deadlines</p>			

<b>Macroeconomics</b>  <b>H060/02</b>	Confident 	Developing 	With difficulty 
I can use relevant economic terminology fluently and accurately  I can write using accurate punctuation and spelling			
I can effectively plan and write an essay that addresses the AOs in timed conditions			
I can analyse evidence using a large and fully labelled accurate diagram to illustrate my points			
I can evaluate two sides of an argument			
I can write a conclusion that summarises both sides and makes an overall judgement on an issue that I have evaluated  I ensure that my writing is legible, so that it can be marked accurately by the examiner			
I have read the question carefully and answered the question set			
My ideas are connected to one another			

<p><b>Macroeconomics</b></p> <p><b>H060/02</b></p> <p>I have a clear understanding of the links which exist between the various elements and aspects of the subject (synoptic assessment)</p>	<p>Confident</p> 	<p>Developing</p> 	<p>With difficulty</p> 
<p><b>Quantitative SKILLS</b></p> <p>Calculate, use and understand ratios and fractions</p> <p>Calculate, use and understand percentages and percentage changes</p>			
<p>Understand and use the terms mean and median</p> <p>Construct and interpret a range of standard graphical forms</p>			
<p>Interpret index numbers</p>			
<p>Make calculations of elasticity and interpret the result</p>			
<p>Interpret, apply and analyse information in written, graphical and numerical forms</p> <p>Able to pick out the main features in a data set (eyeball data)</p>			

## Style guide for Economics

The command words will determine what skills need to be shown

### What does analysis mean?

Analysis means explaining a theory or a relationship. Or explaining cause and effect  
It is best to analyse step-by-step using connectives. In doing so, you demonstrate that you are confident in handling some economic theory.

Build Chains of Analysis Using Connective Phrases!

This means that...
The effect of this is ...
This has an impact on...
Therefore...
This can cause...
This is because...
As a result....

Connective words – always help analysis and evaluation in economics!

Cause and Effect	Contrasting	Qualifying	Sequencing	Comparing	Illustrating
consequently	but	however	meanwhile	likewise	such as
because	despite	unless	after	as	in the case of
therefore	on the other hand	but	then	equally	for instance
thus	otherwise	if	when	similarly	for example
so	unlike	although	eventually	in the same way	
	instead of	on the other hand	while		
	alternatively		next		
	whereas		before		



Microeconomics example

Analyse **two possible effects** of a decision to introduce rent controls into the UK housing market

A rent cap is a legally imposed price ceiling limiting what a landlord can charge. To be effective it must be set below the normal free market equilibrium rent.

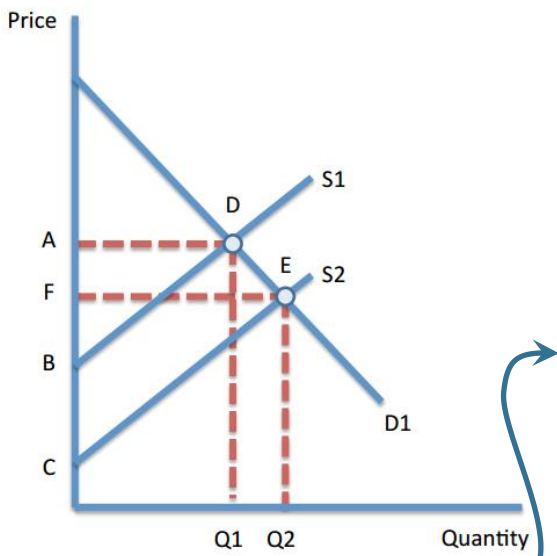
One possible effect is that the supply of properties available might contract. **This is because** a rent cap lowers the financial incentives to let out a property. **Then** if available supply falls, the rental market will experience **excess demand** as shown in my analysis diagram. More people wish to rent at these low prices than there are houses available. This is called a **disequilibrium**.

A second effect might be to cause a **shadow market** to emerge, with tenants paying the legal maximum rent but also being charged extra by landlords for ancillary services **such as keys and decoration**. The landlords want to claw back extra revenue and therefore increase their producer surplus. **Consequently** the maximum rent may be less than the actual cost of renting the property.

Knowledge

Analysis

Analyse the effect of an increase in market supply of tablet computers on the level of producer surplus



Analysis

**Producer surplus is the difference between the price a business gets when selling their output and the minimum price they need to supply to the market.**

**An outward shift in supply (for example caused by higher productivity) leads to a fall in the market price and an expansion of demand. As a result, the area of producer surplus rises from ADB to area FEC . This is shown in my diagram.**

Knowledge

## Some critical **evaluation** approaches

Use data / evidence to support an argument

Question the likely effectiveness of a policy (i.e. link to Ped & Pes)

Possible unintended consequences / government failure

Are there better alternatives?

Have they been tried?

Fairness – does a policy make inequality worse?

Will no intervention lead to a deeper market failure?

Policy combinations needed? (e.g. demand & supply-side)

Can the free market find a solution through the right incentives?

Can behavioural economics change behaviour / outcomes?

### Assess the effectiveness of a new indirect tax on fast food in improving the health of young people in Britain (14)

1. **Use elasticity** - Effectiveness depends on price elasticity of demand. Extract 2 estimates that “PED for hamburgers is -1.5” this shows that a 20% rise in price might lead to a 30% reduction in consumption, other policies might not be as effective as this (2)
2. **Challenge effectiveness:** Habitual consumers and those with high incomes may continue to consume despite the tax (2)
3. **Question definition:** The case for a tax depends on what we count as fast food – e.g. not all fast food is unhealthy such as fruit and food on the go meals such as porridge and soup – what is included will depend on the government making value judgements (3)
4. **Recognise alternatives** – If the main market failure is an information failure (i.e. overconsumption of de-merit goods) then informing consumers about the harmful long-term effects of eating junk food might be more effective as a tax. (3)
5. **Suggest alternative policies** - A more effective policy might be to invest in & subsidize sporting facilities for young people (2)
6. **Quantify** – charging an indirect tax of 20% on fast foods would probably be effective because those most hit by this will be spending a high percentage of their income on these products (2)
7. **Equity issues:** There is a risk that a new tax on fast foods would hurt poorer families most, leading to a rise in inequality (2)

### Evaluation Phrases

The impact depends on...

In the short run.....

but in the long run...

The most significant effect is likely to be....

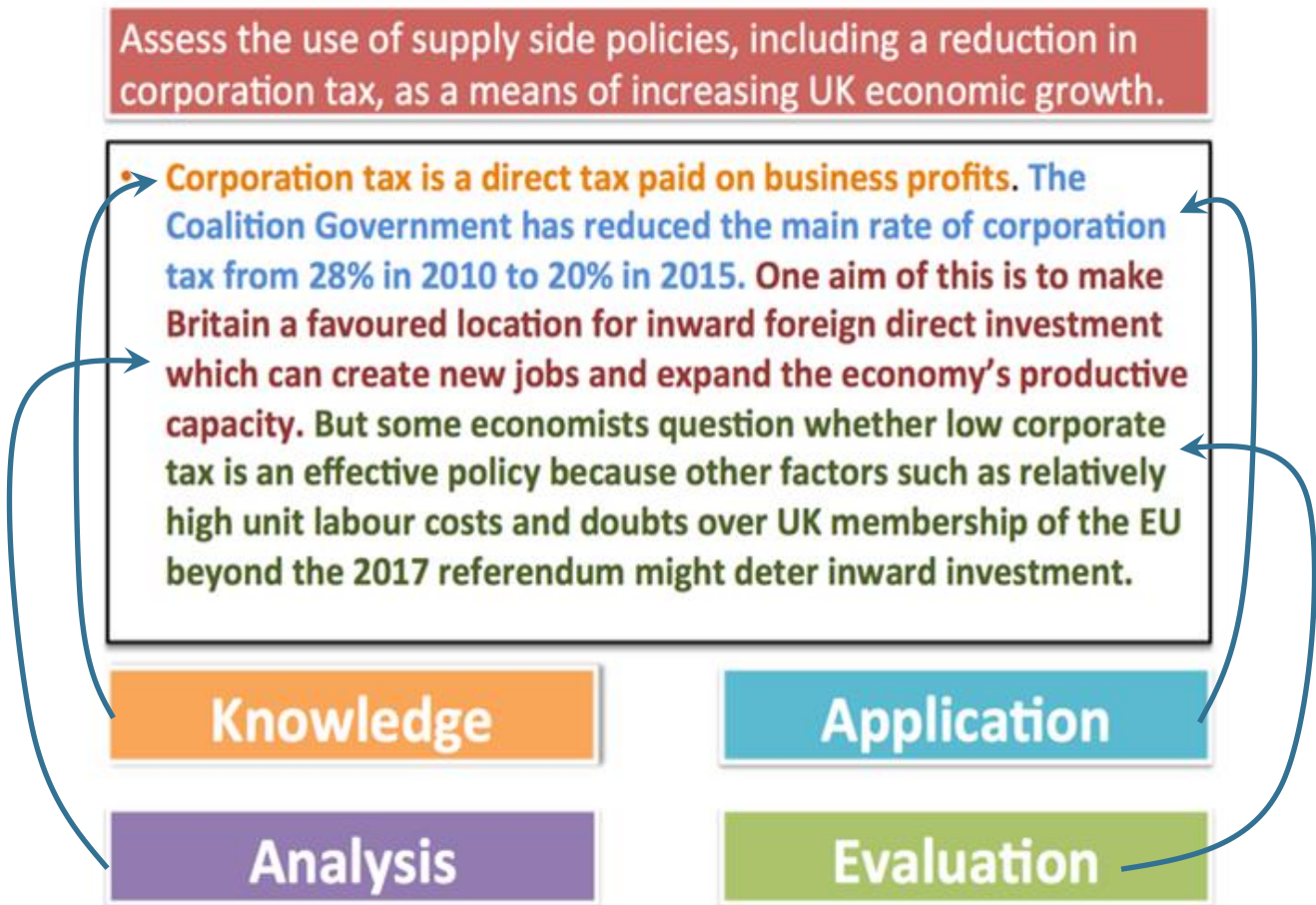
The effect on equity/equality is

The most cost-effective policy is ...

Given the evidence I have used, I would argue that the best solution in the circumstances is ...

This is a complex problem and requires a combination of policies to make a big difference in the long-run.

**Macroeconomics example**



**Sample Macroeconomics essay**

The essay needs to meet skills criteria (as shown below).

Symbols	
<b>K</b>	<b>Knowledge</b> => definitions
<b>Ap</b>	<b>Application</b> => applying info in the extract or using knowledge of data / economic events to help support the answer to the question
<b>An</b>	<b>Analysis</b> => using relevant economic theory to answer the question, by building up logical chains of reasoning. <i>At least 1 diagram</i> should be used in essays – this must be well labelled and explained and referred to in your answer!
<b>E</b>	<b>Evaluation</b> => Making a judgement(s) about the importance / significance of particular factor(s), especially in giving a final answer to the question. Your evaluation should be supported by relevant economic theory, information from the extract of the candidate's own knowledge
<b>Aw</b>	<b>Awareness</b> of data / economic events
<b>I</b>	<b>Issue</b> => raising a relevant issue or point. Usually the topic sentence (first sentence of a paragraph)

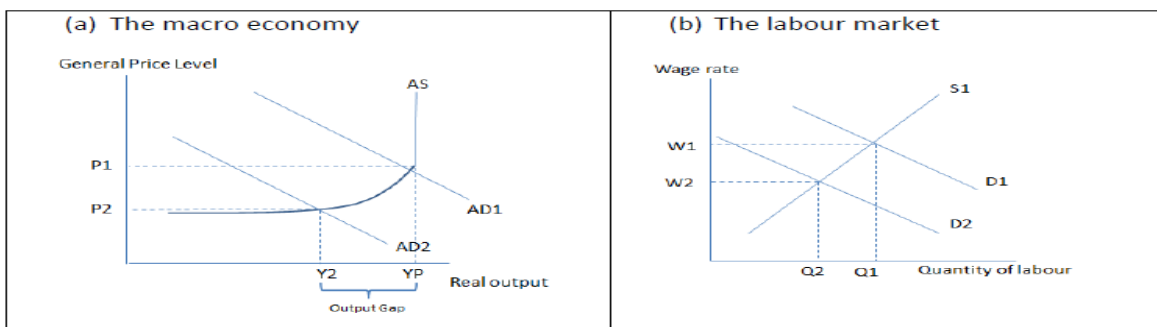
Using the data and your economic knowledge, assess the likely impact of substantial cuts in public expenditure on the performance of the UK economy.

**K** A budget deficit arises when government spending is greater than tax revenue during a given time period. The larger the budget deficit, the greater is the excess of government spending over tax

revenue. **Ap** Measures to reduce the budget deficit include cuts to public spending and increases in taxation, such as “the 2.5% rise in VAT”. **K** The unemployed are those of a working age who are actively seeking work but do not currently have a job.

**I** Reducing the size of the budget deficit is likely to constrain aggregate demand and therefore cause rising unemployment. **An** Public spending is an injection into the circular flow of income and taxes are a leakage. When the budget deficit is reduced, the government provides a smaller net injection, thus limiting the demand for domestically produced goods and services. Firms are likely to respond by cutting back on output (a negative multiplier effect) and laying off workers (the demand for labour is derived from the demand for goods and services – **diagram b** shows the fall in demand for labour (MRP) from D1 to D2, due to the fall in demand for products being produced, resulting in employment falling from Q1 to Q2)). Measures to reduce the budget deficit may therefore be a source of demand-deficient unemployment, especially as they may cause multiplier effects. Any reduction in the government’s injection to the circular flow of income leads to reduced incomes which could cause further rounds of reduced spending and output.

**An Diagram** Reducing the budget deficit may hit AD and in turn labour demand.



**Diagram a** shows that a fall in AD will result in a fall in real output (Y1 to Y2, resulting in a larger negative output gap), a fall in employment and a fall in the price level from P1 to P2).

**I** Cuts in government spending are likely to have a more direct impact on unemployment too, as the government is itself a major employer in the economy. **Ap** Since 2009, there have been “77,000 lost jobs in the public sector”.

**I** It is possible that cuts in government spending may also make it more difficult for the government to tackle unemployment from the supply-side of the economy. **An** A major source of supply-side unemployment is the occupational immobility of labour, for example. Unemployed workers may be unable to fill vacancies in the economy if they do not possess the skills required. Government spending can help to reduce such problems by providing support for training to help workers develop their abilities. The effects of this on unemployment are more long-term. Arguably, the fact that the effects are not felt for some time may increase the temptation for the government to cut back on spending in this area.

### **Evaluation (E)/final judgement (s)**

While the analysis above shows clearly that measures to reduce the budget deficit have the potential to cause unemployment, this does not necessarily mean that they will do so.

**I** It is possible, for example, that new private sector jobs could prevent unemployment from rising.

**Ap** The extract notes that since 2009 there have been “296,000 new private sector jobs, more than compensating for 77,000 lost jobs in the public sector”. **An** Private sector job creation surely

depends on continued recovery of the economy, however, and cuts in public sector spending may in fact threaten this recovery. **Aw** By 2012, the UK economy had slipped back into recession and the private sector was unable to generate enough jobs to stop unemployment from rising.

**Ap** It is also true that at the time of the extract that the measures to reduce the budget deficit were only just beginning and it was predicted that “600,000 jobs would go in the public sector over the next five years”. **An** The effects of these job losses are expected to be regionally concentrated, hitting areas of the economy where the government is a major employer especially hard, for example, Newcastle and Liverpool **Ap**. While vacancies exist in other areas of the country, geographical labour mobility is unlikely to be strong enough to prevent unemployment from rising.

**I** Some would argue that tackling the budget deficit may help to prevent unemployment by bringing about low interest rates and a degree of economic stability. **Aw** It would be possible to point towards the evidence from economies such as Greece where government debt has grown to unsustainable levels and to contrast the problems experienced there (as government spending cutbacks created a negative multiplier effect on the economy, with unemployment reaching 27% in Q1 2015) with circumstances in the UK (where unemployment has fallen to 5.5%, despite the rise in public sector unemployment). **An** On this view, tackling the budget deficit may cause more unemployment in the short term, but with the benefit of protecting long term economic performance and the ability of the economy to create jobs. This argument is highly controversial and is likely to continue to be so, as we cannot know what the situation of the UK economy would have been without cuts to UK government spending and increases in taxes.

**An** These arguments cast doubt on whether the measures taken to reduce the size of the budget deficit will necessarily cause an increase in unemployment, but do not appear strong enough to give confidence that unemployment will not rise. Large numbers of job losses in the public sector, concentrated in particular regions, together with the impact of reduced government spending on UK aggregate demand, suggest that measures taken to reduce the budget deficit are at least likely to cause higher unemployment. []