

## Theme 2 – Checklist

Note: the numbers in the 'slides' column correlate with the numbers at the start of each worksheet, slides, notes etc.

Slides	Topic	Learning Objectives	Specification section & additional Guidance	Revised?
1	<b>Circular Flow of Income</b>	<p><i>Basic model showing injections and withdrawals</i></p> <p>Income = Expenditure = Output</p> <p>Very Basic introduction to National Income accounts</p> <p><i>Income and wealth understand the likely correlation between income and wealth. Wealth maybe considered a stock and income a flow.</i></p> <p><i>e.g. house prices/shares – distinguishing between offers more scope for evaluation from new questions.</i></p>	<p><b>2.4.1 National income</b></p> <p>a) The circular flow of income</p> <p>b) The distinction between income and wealth</p> <p><b>2.4.2 Injections and withdrawals</b></p> <p>a) The impact of injections into, and withdrawals from, the circular flow of income</p> <p>Injection, withdrawal, and explain the three ways in which the National Income is calculated.</p> <p>Why should all three methods, in theory, arrive at the same figure? What is the difference between income and wealth?</p> <p>Will <b>not</b> have to draw this in an exam – but description and reference to it are fundamental to macroeconomics.</p> <p>Remember, <b>the flow of money going around the economy is the size of the economy – which is therefore also aggregate demand.</b></p>	

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2	Measures of economic performance.	<p>To understand the differences between nominal and real GDP.</p> <p>Total and per capita (divided by population).</p> <p>Nominal and real has significant links throughout the course – as real takes into account inflation. Inflation is taught later in Theme 2, but is (on a basic level) increasing average prices.</p> <p>Differences between GDP, GNI and GNP are subtle – with GDP being the most important. GDP links into the circular flow of income, as this topic complements GDP and provides details as to how it is calculated and the three methods.</p>	<p><b>2.1.1 Economic growth</b></p> <p>a) Rates of change of real Gross Domestic Product (GDP) as a measure of economic growth</p> <p>b) Distinction between:</p> <ul style="list-style-type: none"> <li>• real and nominal</li> <li>• total and per capita</li> <li>• value and volume</li> </ul> <p>c) Other national income measures:</p> <ul style="list-style-type: none"> <li>• Gross National Product (GNP)</li> <li>• Gross National Income (GNI)</li> </ul> <p>d) Comparison of rates of growth between countries and over time</p> <p>This is also relevant to nominal wages (the increase received by a worker) and then real wages (the increase % taken into account inflation).</p> <p><del>Human Development Index</del> - Not in the new specification</p>	
3	National Happiness	<p>This is an alternative measure of economic performance.</p> <p>The initiative was first promoted by David Cameron in 2010 and resulted in the annual UK Happiness Index Report, which is data collected and compiled by the ONS.</p>	<p><b>2.1.1 Economic growth</b></p> <p>(g) National happiness:</p> <ul style="list-style-type: none"> <li>• UK national wellbeing</li> <li>• the relationship between real incomes and subjective happiness</li> </ul> <p>There is a strong link between real incomes increasing and subjective happiness also increasing, but the extent to which this is always the case is... subjective.</p> <p>'The Big Question – VIDEO ACTIVITY' presents a balanced view of National Happiness and compares GBW importance with Gross Domestic Product.</p>	
4	<p><b>Aggregate Demand</b></p> <p><b>(Over view of Components)</b></p>	<p>Analyse the components of AD and factors that influence each of them</p> <p>Emphasise the relative importance of these components. Especially consumption as an evaluation tool</p>	<p><b>2.2.1 The characteristics of AD</b></p> <p>a) Components of AD: <math>C+I+G+(X-M)</math></p> <p>b) The relative importance of the components of AD</p> <p>c) The AD curve</p> <p>d) The distinction between a movement along, and a shift of, the AD curve</p> <p>Consumption is the largest component of aggregate demand – considered around 65%. Good evaluation.</p>	

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5	<b>Consumption (C)</b>	<p><i>Explain what factors affects each of the components of AD.</i></p> <p><i>Link to retail sales and unemployment.</i></p> <p><i>Interest Rates Largest portion of aggregate demand (circa. 65%) – good ev.</i></p>	<p><b>2.2.2 Consumption (C)</b></p> <p>a) Disposable income and its influence on consumer spending</p> <p>b) An understanding of the relationship between savings and consumption</p> <p>c) Other influences on consumer spending:</p> <ul style="list-style-type: none"> <li>• interest rates</li> <li>• consumer confidence</li> <li>• wealth effects</li> </ul>	
6	<b>Investment (I)</b>	<p>Factors affecting Investment such as confidence, <b>government policies (tax, regulations) and consumption.</b></p> <p>The Accelerator Effect not required by the specification, but will be awarded marks for this concept – it is the link between increases in AD and increases in LRAS.</p>	<p><b>2.2.3 Investment (I)</b></p> <p>a) Distinction between gross and net investment</p> <p>b) Influences on investment:</p> <ul style="list-style-type: none"> <li>• the rate of economic growth</li> <li>• business expectations and confidence</li> <li>• <b>Keynes and ‘animal spirits’</b></li> <li>• demand for exports</li> <li>• interest rates</li> <li>• access to credit</li> <li>• the influence of government and regulations</li> </ul> <p>Be aware of the categories of investment: working capital and capital expenditure.</p>	
7	<b>Government Spending (G)</b>	<p><i>Factors affecting GS.</i></p> <p><i>Understand difference between a budget deficit and national debt.</i></p>	<p><b>2.2.4 Government expenditure (G)</b></p> <p>a) The main influences on government expenditure:</p> <ul style="list-style-type: none"> <li>• the trade cycle (BUSINESS CYCLE)</li> <li>• fiscal policy</li> </ul> <p>Consider main components of government spending</p> <p><i>The current national debt is a very topical talking point, so could well be the subject of a data response question.</i></p> <p><i>Be aware of the largest portions of government spending – this can be used as good evaluation and also application marks.</i></p> <p><i>Welfare payments and pensions do not directly create ‘new demand’ and so do not count as part of AD (learn more about in Year 13).</i></p>	

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8	Net Trade (x-m)	<p>Understand the significance of exchange rates and be able to explain the concept. PED is good evaluation for the impacts of changing exchange rate upon x-m.</p> <p>Understand the balance of payments – components of the current account. This is revisited later in future lessons.</p>	<p><b>2.2.5 Net trade (X-M)</b></p> <p>a) The main influences on the (net) trade balance:</p> <ul style="list-style-type: none"> <li>• real income</li> <li>• exchange rates</li> <li>• state of the world economy</li> <li>• degree of protectionism (NEW TO SPEC)</li> <li>• types of non-price factors</li> </ul> <p>Need to use PED in evaluation.</p> <p>Explain how revenue is affected if a producer increases the price of a product that has an inelastic PED.</p> <p>Think of the last time you went abroad how would it have affected you if the value of the pound had increased?</p> <p>Strong link between (x-m) and balance of payments – revisited in more detail slides 14.</p>	
9	AD mini-test	<p>The content of this test is crucial in order to effectively progress in future lessons – questions are simply, knowledge-based questions.</p>	<p>Test yourself. Answers on slides.</p> <p><b>Make sure that you are very confident in understanding the components of AD and what impacts them – as it is very difficult to progress onwards without sound understanding.</b></p>	
10	AD downward sloping	<p>Understand why AD is downward sloping.</p> <p>There are three main reasons.</p>	<p><b>2.2.1 The characteristics of AD</b></p> <p>c) The AD curve</p> <p>Candidates have been warned by Edexcel that explanations of the slope of the AD curve like “as goods get cheaper people want to buy more of them” will earn few marks.</p>	
11	Aggregate Supply - Short-run Aggregate Supply (SRAS)	<p>Factors influencing SRAS e.g. commodity prices – very topical atm. Oil prices at a seven year low.</p> <p>SRAS is shifted when there are changes in costs of production.</p>	<p><b>2.3.1 The characteristics of AS</b></p> <p>a) The AS curve</p> <p>b) The distinction between movement along, and a shift of, the AS curve</p> <p>c) The relationship between short-run AS and long-run AS</p> <p><b>2.3.2 Short-run AS</b></p> <p>a) Factors influencing short-run AS - CHANGES IN COSTS OF PRODUCTION:</p> <ul style="list-style-type: none"> <li>• changes in costs of raw materials and energy</li> <li>• changes in exchange rates</li> <li>• changes in tax rates</li> </ul> <p>Questions on, for example, the effects of an increase in the price of oil</p>	

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12	<b>Long-run aggregate Supply (LRAS)</b>	<p>Draw both Keynesian and Classical LRAS curves.</p> <p><i>LRAS is shifted whenever there is a change in the quality/effectiveness or quantity of any of the factors of production (land, labour and capital).</i></p> <p><i>When a question asks you to draw an AD/AS diagram, you should draw LRAS. The only time would draw SRAS is if the answer is discussing changes in costs of production, which would therefore cause SRAS to shift instead.</i></p>	<p><b>2.3.1 The characteristics of AS</b></p> <p>a) The AS curve  b) The distinction between movement along, and a shift of, the AS curve  c) The relationship between short-run AS and long-run AS</p> <p><b>2.3.3 Long-run AS</b></p> <p>a) Different shapes of the long-run AS curve:</p> <ul style="list-style-type: none"> <li>• Keynesian</li> <li>• Classical (or monetarist)</li> </ul> <p>b) Factors influencing long-run AS:</p> <ul style="list-style-type: none"> <li>• technological advances</li> <li>• changes in relative productivity</li> <li>• changes in education and skills</li> <li>• changes in government regulations</li> <li>• demographic changes and migration</li> <li>• competition policy</li> </ul> <p><i>Use the Keynesian LRAS curve – unless the question specifically asks you to draw the Classical LRAS curve. Keynesian allows more opportunities to evaluate.</i></p>	
13	<b>Equilibrium Output and Output Gaps</b>	<p><i>Students should be able to show spare capacity in an economy – output gap.</i></p> <p><i>Understand what a negative and positive output means for an economy. Illustrate both diagrammatically.</i></p> <p><i>Combine AS and AD together. Ensure all diagrams are fully labelled.</i></p>	<p><b>2.5.2 Output gaps</b></p> <p>a) Distinction between actual growth rates and long-term trends in growth rates  b) Understanding of positive and negative output gaps and the difficulties of measurement  c) Use of an AD/AS diagram to illustrate an output gap (level of spare capacity) in an economy</p> <p><b>2.4.3 Equilibrium level of real national output</b></p> <p>a) The concept of equilibrium real national output  b) The use of AD/AS diagrams to show how shifts in AD or AS cause changes in the equilibrium price level and real national output</p> <p>Draw an AD and AS diagram showing an output gap – spare capacity</p> <p>Draw an AD and AS diagram showing the equilibrium level of real output.</p> <p>Actual growth rates and long-term trends merely refers to the ‘trade (business cycle)’ in which sometimes the rate of growth is below the long-term trend – this could also be described as an output gap (the term is being used in a different context here).</p>	

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14	<p><b>The Multiplier Effect</b></p>	<p><b>Multiplier – explain size using MPC, apply to shifts in AD</b></p> <p>The multiplier is when an initial injection into the economy causes an overall larger change in national income/GDP.</p> <p>Multiplier effect tends to be larger in economies less exposed to trade (when the MPM is lower).</p> <p>Evaluation – difficulty of measuring the multiplier, time it takes to come into full effect and size of leakages mentioned above.</p> <p><b>Any injection into the circular flow will have a multiplier effect – Investment, exports and/or government Spending.</b></p>	<p><b>2.4.4 The multiplier</b></p> <p>a) The multiplier ratio (simply the value of the overall multiplier)</p> <p>b) The multiplier process</p> <p>c) Effects of the economy on the multiplier</p> <p>d) Understanding of marginal propensities and their effects on the multiplier (NEW TO SPEC):</p> <ul style="list-style-type: none"> <li>• the marginal propensity to consume (MPC)</li> <li>• the marginal propensity to save (MPS)</li> <li>• the marginal propensity to tax (MPT)</li> <li>• the marginal propensity to import (MPM)</li> </ul> <p>e) Calculations of the multiplier using the formulae <math>1/(1-MPC)</math> and <math>1/MPW</math>, where <math>MPW=MPS+MPT+MPM</math></p> <p>f) The significance of the multiplier to shifts in AD</p> <p><i>Evaluation – difficulty of measuring the multiplier, time it takes to come into full effect and size of leakages</i></p> <p><i>“One person’s spending is another person’s income” – Keynes</i></p> <p>It is likely that you will be asked to calculate the multiplier during ‘section A’ of a macro paper. The method you use <math>1/(1-MPC)</math> or <math>1/MPW</math> depends upon which information you are given – it will be pretty obvious.</p>	
15	<p><b>Introduction to macroeconomic objectives</b></p> <p><b>Objective - Economic Growth</b></p>	<p><i>List the four main macroeconomic objectives and add the two additional ones.</i></p> <p>You need to know the current situation for each of the macroeconomic objectives.</p> <p>There are two types of economic growth – actual (AD) and potential (LRAS)</p>	<p><b>2.6.1 Possible macroeconomic objectives</b></p> <p>a) Economic growth</p> <p>b) Low unemployment</p> <p>c) Low and stable rate of inflation</p> <p>d) Balance of payments equilibrium on current account</p> <p>e) Balanced government budget</p> <p>f) Protection of the environment (additional objective)</p> <p>g) Greater income equality (additional objective)</p> <p><b>2.5.1 Causes of growth</b></p> <p>a) Factors which could cause economic growth</p> <p>b) The distinction between actual (AD) and potential growth (LRAS)</p> <p>c) The importance of international trade for (export-led) economic growth</p> <p>How can Economic Growth be sustainable? – needs to ensure that there is plenty of spare capacity for AD to grow into, otherwise high inflation will occur. Evaluation can come in the form of the level of spare capacity in an economy and the trade-off with inflation.</p> <p>Different sectors of the economy may experience more growth than others; therefore not everybody shares in the growth success.</p>	

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16	Comparing Economic Growth	<p><i>Students need to understand why GDP (PPP) is used to compare economies instead of GDP nominal or per capita.</i></p> <p><i>PPP adjusts for differences in the <b>cost of living</b> and <b>inflation</b> by using United States prices as a base for calculating the value of output. This then makes comparisons easier.</i></p> <p><i>The Big Mac Index is not in the specification, but makes a similar point in terms of comparing the cost of living between different countries.</i></p>	<p><b>2.1.1 Economic growth</b></p> <p>(d) Comparison of rates of growth between countries and over time</p> <p>e) Understanding of Purchasing Power Parities (PPPs) and the use of PPP-adjusted figures in international comparisons</p> <p>f) The limitations of using GDP to compare living standards between countries and over time</p> <p><b>2.5.3 Trade (business) cycle</b></p> <p>a) Understanding of the trade (business) cycle</p> <p>b) Characteristics of a boom</p> <p>c) Characteristics of a recession</p> <p>A small part of this lesson is the trade cycle. Students need to be able to label and identify the trade (business) cycle diagram. The difference between long-term trends and actual economic growth is an output gap (in this context).</p>	
17	Costs and benefits of growth	<p><i>The photos provide clues to various impacts (costs and benefits) of economic growth – the notes provide further details. The key <b>benefits</b> are: employment, higher incomes, education and health, improvement in fiscal balance for government, accelerator effect and productivity.</i></p> <p><i>The is a virtuous cycle associated with economic growth... as once the subsistence trap is broken, economic growth makes future growth more likely.</i></p> <p><i>The key <b>costs</b> are: inflation, depletion of resources, negative externalities (pollution) and inequality (which is then associated with National Happiness.</i></p>	<p><b>2.5.4 The impact of economic growth</b></p> <p>a) The benefits and costs of economic growth and the impact on:</p> <ul style="list-style-type: none"> <li>• consumers</li> <li>• firms</li> <li>• the government</li> </ul> <p><b>current and future living standards</b></p> <p><i>Students should have an understanding of what <b>living standards</b> actually mean.</i></p> <p><i>It also supports learning to understand the impact of a <b>subsistence economy</b>, as this is the very early stage of economic development (Theme 4) and helps understand how economic growth can lead to further economic growth (more jobs... higher incomes... more consumption... etc.) once the subsistence trap is broken.</i></p> <p><i>The TEDTalk ties in with both the limitations of using GDP as a measure of economic performance and with the costs of economic growth.</i></p>	
18	Objective – Balance of Payments	<p><i>Measuring the flows of a countries' money with the rest of the world.</i></p> <p>- <i>Current account deficit of greater than 5% of GDP is a big concern. Evaluation.</i></p>	<p><b>2.1.4 Balance of payments</b></p> <p>a) Components of the balance of payments, with particular reference to the current account, and the balance of trade in goods and services</p> <p>b) Current account deficits and surpluses</p> <p>Introduce the key macro objectives which follow from these performance indicators.</p> <p>c) The relationship between current account imbalances and other macroeconomic objectives</p>	

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			<p>d) <i>The interconnectedness of economies through international trade</i></p> <p><i>You do not need to know the other accounts during Year 12 – only the current account.</i></p> <p><i>Strong link between (x-m) and current account – because the balance of trade is part of the current account! So improving balance of trade increases (x-m) and current account.</i></p> <p><i>Don't get a current account deficit and budget deficit confused!</i></p>	
19	<b>Objective - Inflation</b>	<p><i>Look at the types of unemployment and causes of inflation to complement SJS work on inflation and unemployment</i></p> <p><i>Full employment within the economy and inflation</i></p> <p><i>AD/AS demand-pull inflation and cost-push inflation.</i></p>	<p><b>2.1.2 Inflation</b></p> <p>a) Recap disinflation</p> <p>e) Causes of inflation:</p> <ul style="list-style-type: none"> <li>• demand pull</li> <li>• cost push</li> </ul> <p>f) <i>The effects of inflation on consumers, firms, the government and workers (MW covers throughout theme 2).</i></p> <p>What are the causes of inflation? Refer to AD / AS</p> <p>Why is it important to have low inflation?</p> <p>Why is it important to avoid deflation?</p> <p>Consequences of high inflation upon consumers, firms, the government and workers?</p>	
20	Calculating Inflation	<p><i>Students need to be aware of the difference between CPI and RPI.</i></p> <p><i>You only need to know RPI and CPI – no other variation of the two (for example: RPIX, RPIY, CPIH).</i></p> <p><i>Index numbers are also taught here and important to both inflation and the wider course.</i></p> <p><i>Students need to understand how inflation is calculated using a 'basket of goods' over time. In addition, students need to understand the importance of weighting and calculate this impact.</i></p>	<p><b>2.1.2 Inflation</b></p> <p>a) Understanding of:</p> <ul style="list-style-type: none"> <li>• inflation</li> <li>• deflation</li> <li>• disinflation</li> </ul> <p>b) <i>The process of calculating the rate of inflation in the UK using the Consumer Prices Index (CPI)</i></p> <p>c) <i>The limitations of CPI in measuring the rate of inflation</i></p> <p>d) <i>The Retail Prices Index (RPI) as an alternative measure of the rate of inflation</i></p> <p><i>This lesson does not focus upon causes of inflation (demand-pull and cost-push).</i></p> <p><i>The Bank of England's 2% target uses CPI inflation.</i></p> <p><i>Students also been to be able to analyse the limitations of CPI (such as lag time for new goods).</i></p>	



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21	Measuring unemployment	<p><i>There are two main ways of measuring unemployment:</i>  <i>Claimant count (number of people claiming JSA)</i>  <i>UK Labour Force Survey – conducted quarterly by the ONS using the ILO’s definition:</i></p> <ul style="list-style-type: none"> <li>• <b><i>“Without a job, want a job, have actively sought work in the last four weeks and are available to start work in the next two weeks or are out of work, have found a job and are waiting to start it in the next two weeks”.</i></b></li> </ul> <p>Students need to appreciate the weakness of using unemployment data, as workers could still have a job but be under-employed.</p> <p>Students need to know who is classified as economically inactive and not counted in statistics.</p>	<p><b>2.1.3 Employment and unemployment</b></p> <p>a) Measures of unemployment:</p> <ul style="list-style-type: none"> <li>• the claimant count</li> <li>• the International Labour Organisation (ILO) and the UK Labour Force Survey</li> </ul> <p>b) The distinction between unemployment and under-employment</p> <p>c) The significance of changes in the rates of:</p> <ul style="list-style-type: none"> <li>• employment</li> <li>• unemployment</li> <li>• inactivity</li> </ul> <p>f) The effects of unemployment on consumers, firms, workers, the government and society</p> <p>The effects of unemployment are addressed and integrated throughout Theme 2 – this lesson focuses upon the effects upon workers and society – mental health and crime.</p> <p><i>It is useful for students to have an understanding of JSA (eligibility and criteria). More able students can learn about <b>hysteresis</b> for A/A* analysis.</i></p>	
22	Objective - Unemployment	<p><i>Understand the types and costs of unemployment.</i></p> <p><i>Look at the types of unemployment and causes of inflation to complement work on inflation and unemployment</i></p>	<p><b>2.1.3 Employment and unemployment</b></p> <p>d) The causes of unemployment:</p> <ul style="list-style-type: none"> <li>• structural unemployment</li> <li>• frictional unemployment</li> <li>• seasonal unemployment</li> <li>• demand deficiency and cyclical unemployment</li> <li>• real wage inflexibility (WAGES CANNOT CHANGE TO REACH EQUILIBRIUM) – could be caused by minimum wage or employment contracts</li> </ul> <p>e) The significance of migration and skills for employment and unemployment</p> <p>Significance of migration for unemployment, understanding the impacts upon the economy, labour market and industries such as the NHS.</p> <p>The labour market aspect of this topic is heavily revisited during Year 13.</p>	

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23	<b>Conflicts Between Objectives</b>	<p><i>Conflict of objectives:</i></p> <p><i>Low Inflation and low unemployment</i>  <i>Strong Economic Growth and Sustainability (environment)</i>  <i>Low Inflation and balanced current account balance</i>  <i>Strong Economic Growth and current account balance</i>  <i>Strong Economic Growth and Low Inflation</i></p>	<p><b>2.6.4 Conflicts and trade-offs between objectives and policies</b></p> <p>a) Potential conflicts and trade-offs between the macroeconomic objectives  b) Short-run Phillips curve</p> <p><i>Inflation and unemployment: Short run Phillips curve – very simple just to demonstrate the trade-off. Does the Phillips Curve still hold true today? If not why not?</i></p> <p><i>You do not need to learn the long-run Phillips Curve.</i></p> <p><i>Economics Today 15.1 Full employment / inflation</i></p> <p><b>There are notes on this section of the course.</b></p>	
24	<b>Fiscal Policy</b>	<p>Taxation and government spending.</p> <p>Understand the practical application of monetary and fiscal policy, for example the impact of budget deficits on aggregate demand.</p> <p>It is important that you are aware of the impacts of a budget deficit and national debt – as may need to engage in austerity measures (like now in the UK).</p>	<p><b>2.6.2 Demand-side policies</b></p> <p>Link policies to how macroeconomic objectives can be achieved</p> <p>a) Distinction between monetary and fiscal policy  c) Fiscal policy instruments:</p> <ul style="list-style-type: none"> <li>• government spending and taxation</li> </ul> <p>d) Distinction between government budget (fiscal) deficit and surplus  e) Distinction between, and examples of, direct and indirect taxation  f) Use of AD/AS diagrams to illustrate demand-side policies  i) Strengths and weaknesses of demand-side policies</p> <p>A diagrammatic treatment is required, using AD/AS analysis.</p> <p><b>You must be very confident with fiscal, monetary and supply-side policies and know plenty of evaluation – these are the most common type of essay question in exams.</b></p> <p>Using AD/AS analysis show the effects of a budget deficit (very topical at the moment – could well be a data response question).</p> <p>You need to understand that government borrowing is mostly through issuing bonds.</p>	
25	<b>Austerity</b>	<p>This is very important application and has been a key part of fiscal policymaking since 2010 – these attempts to reduce the budget deficit and national debt have</p>	<p><b>2.6.2 Demand-side policies</b></p> <p>Link policies to how macroeconomic objectives can be achieved</p> <p>c) Fiscal policy instruments:</p> <ul style="list-style-type: none"> <li>• government spending and taxation</li> </ul> <p>d) Distinction between government budget (fiscal) deficit and surplus  f) Use of AD/AS diagrams to illustrate demand-side policies</p>	

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		<p>impacted the economy significantly during the past decade and more.</p> <p>Failure to pay back the national debt could result in the UK losing its AAA credit rating, which would result in higher interest payments.</p>	<p>i) <b>Strengths and weaknesses of demand-side policies</b></p> <p><b>Austerity is also known as ‘contractionary fiscal policy’.</b></p> <p><b>Significant opportunities for application.</b></p>	
26	<b>Monetary Policy</b>	<p>Interest rates and quantitative easing – two main ones.</p> <p>Sometimes you will see exchange rates on this list, but this is not the case in the UK – as we do not directly control the value of our pound (explored in Year 13)</p> <p>Effect of cut in interest rates. Understand the practical application of monetary policy, for example inflation targeting; the role of the Bank of England’s Monetary Policy Committee.</p> <p>Data the MPC uses before deciding on Interest Rates.</p> <p>Understand the basic process of quantitative easing (money supply)</p>	<p><b>2.6.2 Demand-side policies</b></p> <p>Link policies to how macroeconomic objectives can be achieved</p> <p>a) Distinction between monetary and fiscal policy</p> <p>b) Monetary policy instruments:</p> <ul style="list-style-type: none"> <li>• interest rates</li> <li>• asset purchases to increase the money supply (quantitative easing)</li> </ul> <p>f) Use of AD/AS diagrams to illustrate demand-side policies</p> <p>g) The role of the Bank of England:</p> <ul style="list-style-type: none"> <li>• the role and operation of the Bank of England’s Monetary Policy Committee</li> </ul> <p>i) <b>Strengths and weaknesses of demand-side policies</b></p> <p><b>You must be very confident with fiscal, monetary and supply-side policies and know plenty of evaluation – these are the most common type of essay question in exams.</b></p> <p>A diagrammatic treatment is required, using AD/AS analysis.</p> <p>Students require knowledge of how the Bank of England’s Monetary Policy Committee in the UK operates; the factors it takes into consideration when making its decisions.</p> <p>The problems in determining the magnitude of the effects of these policies.</p> <p>Using AD / AS show the effects of an increase in interest rates.</p> <p>Knowledge of bonds helps with understanding of national debt and quantitative easing.</p>	
27	<b>Supply-side Policy</b>	<p>Any policy which increases the long-run productive capacity of an economy. Therefore quality/quantity of land, labour or capital.</p>	<p><b>2.6.3 Supply-side policies</b></p> <p>Link policies to how macro objectives can be achieved</p> <p>a) Distinction between market-based and interventionist methods</p> <p>b) Some market-based and interventionist policies:</p> <ul style="list-style-type: none"> <li>• to increase incentives</li> <li>• to promote competition</li> <li>• to reform the labour market</li> <li>• to improve skills and quality of the labour force to improve infrastructure</li> </ul> <p>c) Use of AD/AS diagrams to illustrate supply-side policies</p>	

Slides	Topic	Learning Objectives	Specification section & additional Guidance	Revised?
		<p>Use the table of supply side policies, along with the advantages and disadvantages of each (evaluation).</p> <p>Examine the effectiveness of supply side policies in lowering unemployment/ stimulating economic growth.</p>	<p><b>d) Strengths and weaknesses of supply-side policies</b>  Note: lowering unemployment does <b>not</b> constitute as an increase in the quantity of labour. Only something like increased birth rates or inward migration would increase the actual quantity of people available to work in the country.</p> <p>However, encouraging people to start seeking work, who were previously not, would increase quantity of labour. This could be achieved by lowering JSA.</p>	
	<p><b>Conflicts Between Objectives (and Policies</b></p>	<p>Conflicts resulting from the use of policy instruments</p> <p>Conflicts between fiscal and supply side policies</p> <p>Fiscal policies maybe inflationary in the short run but deflationary in the long run (e.g. increasing indirect taxation).</p> <p>Use of fiscal policy to incorporate environmental goals e.g. green taxes</p> <p>Impact of changes in interest rates on distribution of income</p> <p><b>This topic has been covered throughout the theme during lesson activities – not in an individual lesson series.</b></p>	<p><b>2.6.4 Conflicts and trade-offs between objectives and policies</b></p> <p><b>c) Potential policy conflicts and trade-offs</b></p> <p>Discuss the relative merits of fiscal and monetary policy in demand management. Evaluation in this section might include the difficulty in measuring the conflicts in the short and long term, or the importance of the prioritisation of policies.</p> <p>Students may consider whether policy instruments may affect other variables in the economy, and consider the consequences for aggregate demand and supply, for example: the interest rate may influence the exchange rate and impact upon competitiveness.</p> <p>Monetary and fiscal policy are ideally implemented together and can support each other. For example, low interest rates would increase the MPC of consumers and so increase the multiplier effect associated with any expansionary fiscal policy in the form of increased government spending!</p>	

Slides	Topic	Learning Objectives	Specification section & additional Guidance	Revised?
28	Great Depression and 2008 Global Financial Crisis	<p>Explain causes and sequences of events leading up to and during the Great Depression and Global Financial Crisis of 2008.</p> <p>Outline demand-side policies used by both US and UK.</p> <p>Similarities and differences in approach, in terms of demand-side policies used.</p>	<p>h) Awareness of demand-side policies in the Great Depression and the Global Financial Crisis of 2008</p> <ul style="list-style-type: none"> <li>• different interpretations</li> <li>• policy responses in the US and UK</li> </ul> <p>You do not need to know extensive knowledge of these two economic events, but you do need to be aware of how they occurred – it helps with context throughout Themes 1-4. The key issue is knowing the <b>specific</b> demand-side policies (fiscal and monetary) in response to each event - notes created which list these policies in UK and US.</p> <p>Year 13 re-visits the Global Financial Crisis and so the ‘Crisis of Credit’ YouTube video is very useful.</p> <p><i>“Different interpretations”</i> refers to the different policies used in response to each event.</p>	

## Theme 4 – Revision Checklist

Note: the numbers in the 'slides' column correlate with the numbers at the start of each worksheet, slides, notes etc.

**Many application marks are achieved in macroeconomics through use of real-life examples – this has been built in, but you need to remember them. Giving examples (as part of your analysis) in answers will greatly improve your marks.**

Slides	Topic	Learning Outcomes	Specification section	Additional guidance	Revised?
1	<b>International Trade and Specialisation</b>	Outline the assumptions which underlie the law of comparative advantage. Understand the principle of comparative advantage Explain why countries trade.	<b>4.1.2 Specialisation and trade</b> a) Absolute and comparative advantage (numerical and diagrammatic): assumptions and limitations relating to the theory of comparative advantage b) Advantages and disadvantages of specialisation and trade in an international context	Important to know that output can be higher after specialisation compared to self-sufficiency.  The dangers and trappings of a subsistence economy – specialisation enables a surplus to be created, which can then be traded to increase prosperity.  Productivity (output per worker) increases with specialisation.	
3	<b>Comparative Advantage (Numerical)</b>	Calculate comparative advantage and identify absolute advantage	<b>4.1.2 Specialisation and trade</b> a) Absolute and comparative advantage (numerical and diagrammatic): assumptions and limitations relating to the theory of comparative advantage b) Advantages and disadvantages of specialisation and trade in an international context  <b>4.1.3 Pattern of trade</b> a) Factors influencing the pattern of trade between countries and changes in trade flows between countries: <ul style="list-style-type: none"> <li>• comparative advantage</li> <li>• impact of emerging economies</li> <li>• growth of trading blocs and bilateral trading agreements</li> <li>• changes in relative exchange rates</li> </ul>	Students should be encouraged to look at how patterns have changed and the reasons for these changing patterns, particularly with reference to growing importance of trading blocs and the growth of emerging economies – this is done throughout theme 4 as well.	
3	<b>Trade Liberalisation</b>	Explain what it means to liberalise trade Advantages and disadvantages of free trade	<b>4.1.2 Specialisation and trade</b> b) Advantages and disadvantages of specialisation and trade in an international context	Discuss the wider potential advantages and disadvantages of trade. This provides opportunities to recap concepts covered in theme 1 and 3. This section also introduces the idea of trade blocs using ASEAN as an example.	
4	<b>Globalisation</b>	Be aware of advantages and disadvantages.	<b>4.1.1 Globalisation</b> a) Characteristics of globalisation b) Factors contributing to globalisation in the last 50 years	<b>4.5.4 Macroeconomic policies in a global context</b> b) Use and impact of macroeconomic policies to respond to external shocks to the global economy c) Measures to control global companies' (transnationals') operations: <ul style="list-style-type: none"> <li>• the regulation of transfer pricing</li> <li>• limits to government ability to control global companies</li> </ul>	

Slides	Topic	Learning Outcomes	Specification section	Additional guidance	Revised?
		Outline the characteristics of globalisation.	c) Impacts of globalisation and global companies on individual countries, governments, producers and consumers, workers and the environment	Many of the advantages/disadvantages of globalisation fit into the adv/disadvantages of trade liberalisation – which also fits into the arguments about protectionism in future lessons!  Section c) sets up a Paper 3 question nicely...	
5	<b>Bilateral Trade Agreements and Terms of Trade</b>	Understand what a bilateral trade agreement is and why some countries prefer them to trade blocs.  Be able to calculate terms of trade and explain what improving/worsening terms of trade means.	<b>4.1.5 Trading blocs and the World Trade Organisation (WTO)</b> a) Types of trading blocs (regional trade agreements and <ul style="list-style-type: none"> <li>• bilateral trade agreements):</li> </ul> <b>4.1.4 Terms of trade</b> a) Calculation of terms of trade b) Factors influencing a country's terms of trade c) Impact of changes in a country's terms of trade	According to <i>The Economist</i> , the great <b>commodity boom</b> caused by the industrialisation of China and India provided an unprecedented boost to the terms of trade for some developing countries. Useful to make particular reference to the impact of changes in a country's terms of trade, for developing countries.  The <i>ONS</i> has some very useful data on UK trade with EU member states and non-EU countries.	
6	<b>Trade Blocs</b>	<i>The distinction between different types of trading blocs should be understood.</i> <i>Advantages and disadvantages of trade blocs</i> Explain trade creation and trade diversion – the net effect is then considered.  Specification Note: monetary unions and WTO taught in	<b>4.1.5 Trading blocs and the World Trade Organisation (WTO)</b> a) Types of trading blocs (regional trade agreements and <ul style="list-style-type: none"> <li>• bilateral trade agreements):</li> <li>• free trade areas</li> <li>• customs unions</li> <li>• common markets</li> <li>• <u>monetary unions</u>: conditions necessary for their success with particular reference to the Eurozone</li> </ul> d) Possible conflicts between regional trade agreements and the WTO	You must learn the different types of trade blocs and their levels of integration e.g. customs union is when a CET is implemented.  The <i>ONS</i> has some very useful data on UK trade with EU member states and non-EU countries.  Application - highlight some of the main regional trade agreements. Need to be able to outline some for application marks. Plenty discussed throughout theme 4.  Many of the arguments for/against trade blocs are similar to globalisation and trade liberalisation.	



Slides	Topic	Learning Outcomes	Specification section	Additional guidance	Revised?
		slides 7 and 8.			
7	<b>World Trade Organisation</b>	Understand the role of the World Trade Organization (WTO) in trade liberalisation; trading blocs Possible conflicts between trading blocs and the WTO should be considered.	<b>4.1.5 Trading blocs and the World Trade Organisation (WTO)</b> c) Role of the WTO in trade liberalisation d) Possible conflicts between regional trade agreements and the WTO	The most important principle is the ‘most favoured nation’ principle – but non-member countries only face a CET if the trade bloc is at least a customs union.  In terms of conflicts between WTO and trade blocs– refer to notes. There are very few resources online about this part of the specification.	
8	<b>Monetary Unions</b>	<i>Understand benefits and costs of monetary unions.</i>  <i>Students could focus on the Eurozone. Specific knowledge of other monetary unions (single currencies) is <b>not</b> required.</i>	<b>Trade Organisation (WTO)</b> a) Types of trading blocs (regional trade agreements and <ul style="list-style-type: none"> <li>• <u>monetary unions: conditions necessary for their success with particular reference to the Eurozone</u></li> </ul>	This also is a good opportunity to learn about the European Debt Crisis – as the Euro was a contributing factor. This also helps later for the financial sector topic. If there is a question on monetary unions, the European Debt Crisis can be mentioned and discussed as a negative – loads of marks.  Key aspect of belonging to a monetary union is that you surrender control over monetary policy.	
9	<b>Protectionism</b>	<i>Understand the arguments for protectionism e.g. infant industries and employment protection.</i>  Outline methods of protectionism and application examples.  Learn the tariff diagram – the quota diagram is not as essential, but could be learnt if you have time.	<b>4.1.6 Restrictions on free trade</b> a) Reasons for restrictions on free trade b) Types of restrictions on trade: <ul style="list-style-type: none"> <li>• tariffs</li> <li>• quotas</li> <li>• subsidies to domestic producers</li> <li>• non-tariff barriers</li> </ul> c) Impact of protectionist policies on consumers, producers, governments, living standards, equality	Good idea to refer back to unrealistic assumptions made in law of comparative advantage.  Lots of cross-over with prior learning because many of the reasons against free trade/globalisation are reasons for protectionism!  Use of diagrams useful. It is important for students to be able to compare and contrast the different type of protectionist measures. <i>Diagrammatic representation of tariffs is required (to include welfare changes and government revenue).</i> <i>Deadweight welfare loss triangles should be used on tariff/quota diagrams as part of their evaluation</i> Section c) sets up a Paper 3 question nicely...	

Slides	Topic	Learning Outcomes	Specification section	Additional guidance	Revised?
10	<b>Measures of competitiveness</b>	<p>Explain what is meant by relative unit labour costs and relative export prices.</p> <p>Not all about price, non-price factors are also important.</p>	<p><b>4.1.9 International competitiveness</b></p> <p>a) Measures of international competitiveness:</p> <ul style="list-style-type: none"> <li>relative unit labour costs</li> <li>relative export prices</li> </ul> <p>b) Factors influencing international competitiveness</p> <p>c) Significance of international competitiveness:</p> <ul style="list-style-type: none"> <li>benefits of being internationally competitive</li> <li>problems of being internationally competitive</li> </ul>	<p>The '12 pillars' of competitiveness rankings by the World Economic Forum is very good to gain an overview of what impacts competitiveness.</p> <p>Explain the factors that affect competitiveness – price and non-price factors</p> <p>Link to China's export led growth – benefits and costs of this.</p> <p>Look at data on unit labour costs. Make sure students are clear what this means. Look at productivity of UK compared to international rivals</p>	
11	<b>Policies for improving international competitiveness</b>	<p>Many supply-side policies will improve competitive.</p> <p>Consider factors influencing a country's competitiveness.</p> <p>For example: exchange rate; productivity; wage and non- wage costs; regulation.</p>	<p><b>4.1.9 International competitiveness</b></p> <p>a) Measures of international competitiveness:</p> <ul style="list-style-type: none"> <li>relative unit labour costs</li> <li>relative export prices</li> </ul> <p>b) Factors influencing international competitiveness</p> <p>c) Significance of international competitiveness:</p> <ul style="list-style-type: none"> <li>benefits of being internationally competitive</li> <li>problems of being internationally competitive</li> </ul>	<p>The falling competitiveness of the UK and other 'developed' economies in comparison to the Newly Industrialised Countries could be considered.</p> <p>Many more policies are explored later on in theme 4 when exchange rates and supply-side policies are (re-)visited. Also incorporates protectionism here as that is a policy. Can later link improving trade balances to J-curve and Marshall-Lerner (for example).</p>	
12	<b>Balance of Payments</b>	<p><i>Understand the different components of the Balance of Payments.</i></p> <p><i>Current account was learnt during theme 2 – now need to learn capital and financial accounts.</i></p>	<p><b>4.1.7 Balance of payments (Introduction)</b></p> <p>a) The components of the balance of payments:</p> <ul style="list-style-type: none"> <li>the current account</li> <li>the capital and financial accounts</li> </ul>	<p>Give students examples of transactions to classify where they belong on the balance of payments and whether they represent a credit or debit – and which section of the balance of payments.</p> <p>Show charts of data for recent years ask students to explain trends/data.</p>	

Slides	Topic	Learning Outcomes	Specification section	Additional guidance	Revised?
		<p><i>Net errors and omissions important to understand how it balances out.</i></p> <p>Some of this is consolidation of Theme 2 content.</p>		<p>Explain Financial and capital account, net errors and omissions to explain how the UK current account deficit is financed.</p> <p><b>For the capital and financial accounts, the focus should especially be on the flows of FDI between countries.</b></p> <p>Must be specific – don't say "balance of payments deficit" need to say "deficit on the current account of the balance of payments".</p>	
13	<p><b>Policies to correct the current account</b></p>	<p><i>Explain and evaluate different policies to correct current account deficits</i></p> <p><i>Expenditure switching and expenditure reducing measures</i></p> <p><i>Supply-side policies.</i></p> <p><i>Each of these policies should be evaluated and students should be encouraged to reach their own conclusions as to the most appropriate measure.</i></p>	<p><b>4.1.7 Balance of payments</b> (Continued)</p> <p>b) Causes of deficits and surpluses on the current account</p> <p>c) Measures to reduce a country's imbalance on the current account</p> <p>d) Significance of global trade imbalances</p> <p><b>4.5 Role of the state in the macroeconomy</b></p> <p><b>4.5.4 Macroeconomic policies in a global context</b> (Introduction)</p> <p>a) Use of fiscal policy, monetary policy, exchange rate policy, supply-side policies and direct controls in different countries, with specific reference to the impact of: measures to increase international competitiveness</p>	<p><b>Important to stress that measures to reduce imbalance should be targeted carefully to the cause.</b></p> <p>For every measure, students need to develop their evaluation skills, e.g. what might limit the effectiveness of these measures/conditions necessary for them to be effective, wider implications on economy, etc.</p> <p><i>Students should consider whether such current account surpluses and deficits matter – circumstances where a current account deficit isn't necessarily that bad.</i></p> <p>Application – awareness of the current account situation in different countries and reasons for their current situation.</p> <p>J-Curve and Marshall-Lerner Condition – A* material. Can be used for a question involving policies to reduce deficit and should be used when the question specifically refers to falling exchange rates.</p> <p>Get students to discuss ways of reducing costs/increasing efficiency as well as focusing on measures to engineer a depreciation of the currency – done more of later on in theme 4.</p>	

Slides	Topic	Learning Outcomes	Specification section	Additional guidance	Revised?
14	<b>Exchange rates</b>	<p>Understand factors influencing the determination of the exchange rates.</p> <p>Students should consider the significance of relative interest rates, relative inflation rates, and speculation.</p> <p><i>Explain the exchange rate systems of floating, fixed and managed.</i></p>	<p><b>4.1.8 Exchange rates</b></p> <p>a) Exchange rate systems:</p> <ul style="list-style-type: none"> <li>• floating</li> <li>• fixed</li> <li>• managed</li> </ul> <p>b) Distinction between revaluation and appreciation of a currency</p> <p>c) Distinction between devaluation and depreciation of a currency</p> <p>d) Factors influencing floating exchange rates</p> <p>e) Government intervention in currency markets through foreign currency transactions and the use of interest rates</p> <p>f) Competitive devaluation/depreciation and its consequences</p> <p>g) Impact of changes in exchange rates:</p> <ul style="list-style-type: none"> <li>• the current account of the balance of payments (reference to Marshall-Lerner condition and J curve effect)</li> <li>• economic growth and employment/unemployment</li> <li>• rate of inflation</li> <li>• foreign direct investment (FDI) flows</li> </ul>	<p>J-Curve and Marshall-Lerner Condition – A* material. Can be used for a question involving policies to reduce deficit and should be used when the question specifically refers to falling exchange rates.</p> <p>Get students to explain the effect of various scenarios will have on the value of the pound (<i>ceteris paribus</i>). Students should sketch supply and demand diagrams for the pound.</p> <p>Show, using a supply pound and demand pound, how a fixed exchange rate could be achieved through government intervention in foreign currency transactions and the use of interest rates – could use UK’s ERM experience as an example.</p> <p>China’s artificial manipulation the value of the yuan is also a good example.</p> <p>Main influences upon the exchange rate are:</p> <ul style="list-style-type: none"> <li>• Imports and exports</li> <li>• Interest rates</li> <li>• Foreign Direct Investment flows</li> <li>• Speculation</li> </ul> <p>Know the subtle difference between revaluation/devaluation and appreciation/depreciation.</p> <p>Relate impact of changes in exchange rates to cost push as well as demand pull inflation.</p> <p>Make sure students grasp that the volume of exports and imports will move in the opposite direction to the price change, but the value (price x quantity) could move in either direction. For the UK, the value is also measured in pounds.</p>	
15	<b>The Role of Central Banks</b>	<p>Outline and explain the functions of a central bank.</p>	<p><b>4.4.3 Role of central banks</b></p> <p>a) Key functions of central banks:</p>	<p>The regulation of the banking industry ties in with the financial sector topic at the end of theme 4.</p>	

Slides	Topic	Learning Outcomes	Specification section	Additional guidance	Revised?
		<p>Explain why financial (banking) regulation is necessary.</p> <p>Explore the application of central bank and financial regulations with real examples.</p>	<ul style="list-style-type: none"> <li>implementation of monetary policy</li> <li>banker to the government</li> <li>banker to the banks – lender of last resort</li> <li>role in regulation of the banking industry</li> </ul>	<p>Application – be aware of real examples used in class to demonstrate when central banks have stepped in. This has to be more than just “increasing QE/interest rates” as that is monetary policy – consider the stress tests carried out and the BoE decision to limit number of mortgages &gt;4.5x income.</p>	
16	<b>Terms of Trade</b>	<p>Formula for calculating terms of trade.</p> <p>Impacts of changing terms of trade.</p> <p>Influences upon a nation’s terms of trade.</p>	<p><b>4.1.4 Terms of trade</b></p> <p>a) Calculation of terms of trade</p> <p>b) Factors influencing a country's terms of trade</p> <p>c) Impact of changes in a country's terms of trade</p>	<p><b>This is where Development Economics topics begin,</b></p> <p>Students may need to briefly revisit index numbers – starter activity and notes provided support this.</p> <p>The ‘impacts’ of changing terms of trade, do not derive from ‘terms of trade’ itself – but rather the impacts of changing export and import prices.</p>	
17	<b>Absolute and Relative Poverty</b>	<p>Difference between absolute and relative poverty.</p> <p>How absolute poverty is measured and the two common ways of measuring relative poverty.</p> <p>Changes to the level of poverty, including application to Ethiopia, Zimbabwe, Tanzania and Djibouti.</p>	<p><b>4.2.1 Absolute and relative poverty</b></p> <p>a) Distinction between absolute poverty and relative poverty</p> <p>b) Measures of absolute poverty and relative poverty</p> <p>c) Causes of changes in absolute poverty and relative poverty</p> <p><b>4.5.4 Macroeconomic policies in a global context</b></p> <p>a) Use of fiscal policy, monetary policy, exchange rate policy, supply-side policies and direct controls in different countries, <b>with specific reference to the impact of: measures to reduce poverty and inequality</b></p>	<p>Includes a 27-minute application video about how Tanzania and Ethiopia are moving away from a subsistence economy, towards a manufacturing based economy – excellent application for polices.</p>	
18	<b>Inequality</b>	<p>Difference between income and wealth.</p>	<p><b>4.2.2 Inequality</b></p> <p>a) Distinction between wealth and income inequality</p>	<p>Students <b>do not have to calculate the Gini coefficient value</b> – only interpret the value and use for applicational purpose.</p>	

Slides	Topic	Learning Outcomes	Specification section	Additional guidance	Revised?
		<p>Diagrammatical analysis of the Lorenz Curve and interpreting the value of the Gini coefficient.</p> <p>Analysis and evaluation of economic changes, development and measures to reduce inequality.</p>	<p>b) Measurements of income inequality:</p> <ul style="list-style-type: none"> <li>the Lorenz curve (diagrammatic analysis)</li> <li>the Gini coefficient</li> </ul> <p>c) Causes of income and wealth inequality within countries and between countries</p> <p>d) Impact of economic change and development on inequality</p> <p>e) Significance of capitalism for inequality</p> <p><b>4.5.4 Macroeconomic policies in a global context</b></p> <p>a) Use of fiscal policy, monetary policy, exchange rate policy, supply-side policies and direct controls in different countries, <b>with specific reference to the impact of:</b></p> <ul style="list-style-type: none"> <li>Measures to reduce poverty and inequality</li> </ul>		
19	<b>HDI – Human Development Index</b>	<p>Identify the three dimensions of the HDI</p> <p>How the three dimensions are measured</p> <p>Assess the effectiveness of using the HDI to compare countries</p>	<p><b>4.3.1 Measures of development</b></p> <p>a) The three dimensions of the Human Development Index (HDI) (education, health and living standards) and how they are measured and combined</p> <p>b) The advantages and limitations of using the HDI to compare levels of development between countries and over time</p> <p>c) Other indicators of development</p>	<p>Make sure students are clear about the distinction between economic growth and economic development - hence measurement will be different.</p> <p>Specification does not suggest specific “other indicators of development”, but lesson draws upon IHDI, MPI and GPI.</p>	
20	<b>Factors influencing development</b>	<p>Analysis of the factors influencing development.</p> <p>Application of factors in developing countries.</p>	<p><b>4.3.2 Factors influencing growth and development</b></p> <p>a) Impact of economic factors in different countries:</p> <ul style="list-style-type: none"> <li>primary product dependency</li> <li>volatility of commodity prices</li> </ul>		

Slides	Topic	Learning Outcomes	Specification section	Additional guidance	Revised?
		Emphasis upon PPD and Harrod-Domar model.	<ul style="list-style-type: none"> <li>• savings gap: Harrod-Domar model</li> <li>• foreign currency gap</li> <li>• capital flight</li> <li>• demographic factors</li> <li>• debt</li> <li>• access to credit and banking</li> <li>• Infrastructure</li> <li>• education/skills</li> <li>• absence of property rights</li> </ul> <p>b) Impact of non-economic factors in different countries</p>		
21	<b>Strategies for development</b>	<p>Assess strategies which can be used by economies to influence economic growth and development.</p> <p>Explain the difference between market-orientated and interventionist strategies.</p> <p>Awareness of the role played by the World Bank, IMF and non-government organisations (NGOs).</p>	<p><b>4.3.3 Strategies influencing growth and development</b></p> <p>a) Market-orientated strategies:</p> <ul style="list-style-type: none"> <li>• trade liberalisation</li> <li>• promotion of FDI</li> <li>• removal of government subsidies</li> <li>• floating exchange rate systems</li> <li>• microfinance schemes</li> <li>• privatisation</li> </ul> <p>b) Interventionist strategies:</p> <ul style="list-style-type: none"> <li>• development of human capital</li> <li>• protectionism</li> <li>• managed exchange rates</li> <li>• infrastructure development</li> <li>• promoting joint ventures with global companies</li> <li>• buffer stock schemes</li> </ul> <p>c) Other strategies:</p> <ul style="list-style-type: none"> <li>• industrialisation: the Lewis model</li> <li>• development of tourism</li> <li>• development of primary industries</li> <li>• Fairtrade schemes</li> <li>• aid</li> <li>• debt relief</li> </ul> <p>d) Awareness of the role of international institutions and non-government organisations (NGOs):</p> <ul style="list-style-type: none"> <li>• World Bank</li> <li>• International Monetary Fund (IMF)</li> <li>• NGOs</li> </ul>	<p>Many of these strategies involve policies which <b>have already been covered in Theme 4</b>, so this section can also be viewed as a way to revise/consolidate some other areas of the course.</p> <p>Students are <b>not</b> expected to study the role of international institutions and non-government organisations in depth but they should have an awareness of their role.</p>	



Slides	Topic	Learning Outcomes	Specification section	Additional guidance	Revised?
22	<b>Macro in a Global Context - Application</b>	<p>Preparing for 25-mark macro questions.</p> <p>Brings together lots of theme 4/2 topics and contextualises – read the notes to cover this:</p> <p><i>16. Macroeconomic policies in a global context</i></p>	<p><b>4.5.4 Macroeconomic policies in a global context</b></p> <p>a) Use of fiscal policy, monetary policy, exchange rate policy, supply-side policies and direct controls in different countries, with specific reference to the impact of:</p> <ul style="list-style-type: none"> <li>measures to reduce fiscal deficits and national debts</li> </ul> <p>b) Use and impact of macroeconomic policies to respond to external shocks to the global economy</p> <p>c) Measures to control global companies' (transnationals') operations:</p> <ul style="list-style-type: none"> <li>the regulation of transfer pricing</li> <li>limits to government ability to control global companies</li> </ul> <p>d) Problems facing policymakers when applying policies:</p> <ul style="list-style-type: none"> <li>inaccurate information</li> <li>risks and uncertainties</li> <li>inability to control external shocks</li> </ul>	<p><b>This is the last topic on Development Economics</b></p> <p>The main focus here is to prepare for macro 25-mark questions, which require students to use their own application – this is one of the most challenging parts of the A-Level exam.</p> <p>Use the <b>application activity</b> to prepare for this.</p> <p>This part of the specification brings together lots of different areas previously taught and applies them in different contexts – although there is little that is new and technically challenging to learn, the specification outlines that this information is a requirement - so these notes are centred specifically around what the specification wants you to know - make sure you read them!</p> <p><i>16. Macroeconomic policies in a global context</i></p>	
23	<b>Public Expenditure and Debt</b>	<p>Outline the difference types of spending, such as capital, current and transfer payments.</p> <p>Know exhaustive and non-exhaustive government spending.</p> <p>Know difference between a cyclical and structural deficit.</p> <p>Outline top five areas of government spending:</p>	<p><b>4.5.1 Public expenditure</b></p> <p>a) Distinction between capital expenditure, current expenditure and transfer payments</p> <p>b) Reasons for the changing size and composition of public expenditure in a global context</p> <p>c) The significance of differing levels of public expenditure as a proportion of GDP on:</p> <ul style="list-style-type: none"> <li>productivity and growth</li> <li>living standards</li> <li>crowding out</li> <li>level of taxation</li> <li>equality</li> </ul>	<p>HM treasury pie chart of government spending</p> <p>Distinguish between capital, current and transfer payments</p> <p>Important of national debt ratios (% of GDP).</p> <p>Falling exchange rates also increase the value of (external) debts owed – ie if you have to pay interest on bonds to somebody in another country with a difference currency.</p> <p>It is important to integrate real world examples where possible (both UK and other countries).</p> <p>Link into Osborne's idea that reducing the size of the public sector leaves room for the private sector to create jobs</p>	



Slides	Topic	Learning Outcomes	Specification section	Additional guidance	Revised?
		pensions, healthcare, education, defence and debt interest.	<b>4.5.3 Public sector finances</b> a) Distinction between automatic stabilisers and discretionary fiscal policy b) Distinction between a fiscal deficit and the national debt c) Distinction between structural and cyclical deficits d) Factors influencing the size of fiscal deficits e) Factors influencing the size of national debts f) The significance of the size of fiscal deficits and national debts	<p>Understand that not all government expenditure is included within aggregate demand – ie. if it doesn't create 'new demand'</p> <p>Know that a national debt will increase debt repayments and interest – thus an opportunity cost in terms of present government spending. Inter-generational unfairness occurs.</p> <p>This links of fiscal policy and provides evaluation (could be used in a fiscal policy question) as crowding out, Laffer Curve and significance of debt are evaluative.</p>	
24	<b>Taxation</b>	<p>Understand taxation: direct and indirect; progressive, proportional and regressive taxes.</p> <p>Students should understand the possible link between changes in tax rates and tax revenues (Laffer Curve).</p>	<b>4.5.2 Taxation</b> a) Distinction between progressive, proportional and regressive taxes b) The economic effects of changes in direct and indirect <ul style="list-style-type: none"> <li>• tax rates on other variables:</li> <li>• incentives to work</li> <li>• tax revenues: the Laffer curve</li> <li>• income distribution</li> <li>• real output and employment</li> <li>• the price level</li> <li>• the trade balance</li> <li>• FDI flows</li> </ul>	<p><b>Make sure students can interpret graphical data, for example charts on cyclically adjusted data.</b></p> <p>The economic effects of changes in tax rates on the macro objectives should at this stage be familiar to you as all relevant concepts have been studied.</p> <p>Having knowledge of all the major UK taxes is very useful – can help gain application marks and useful to contextualise types of taxes.</p>	

Slides	Topic	Learning Outcomes	Specification section	Additional guidance	Revised?
25	<b>The Financial Sector</b>  <b>(Stocks and shares explained at the start of these slides)</b>	<p><b>Identify and analyse each of the roles of financial markets</b></p> <p><b>Explain what is meant by a ‘financial market’ and the different types.</b></p> <p><b>Explain and understand stock markets, shares, dividends and the FTSE 100 etc.</b></p> <p>Students are required to have a basic understanding only of the role of financial markets.</p>	<p><b>4.4 The financial sector</b></p> <p><b>4.4.1 Role of financial markets</b></p> <p>a) To facilitate saving  b) To lend to businesses and individuals  c) To facilitate the exchange of goods and services  d) To provide forward markets in currencies and commodities  e) To provide a market for equities</p> <p><b>4.4.2 Market failure in the financial sector</b></p> <p>a) Consideration of:</p> <ul style="list-style-type: none"> <li>• asymmetric information</li> <li>• externalities</li> <li>• moral hazard</li> <li>• speculation and market bubbles</li> <li>• market rigging</li> </ul>	<p>The beginning of these slides explains stock markets and shares – which ties in and links with many topics throughout the whole A-Level.</p> <p>Examples of market failure in this section are covered in Theme 1, but are related here to the context of the financial sector. Get students to review market failure - this is revision from Theme 1.</p> <p>Relate to the experience of the credit crisis and bank bailouts. For example, the US subprime mortgage market was based on speculation that US house prices would continue to rise. The YouTube clip ‘The Crisis of Credit’ helps understand both this part of Theme 4 and Theme 2 – as knowledge of why the Financial Crisis occurred in necessary.</p> <p>Don’t over-do this topic – it can get very complicated once you start researching online, stick to what is provided in the notes – the official advice from Edexcel (given to teachers, not in the specification itself) is that students only require a “basic understanding”.</p>	