

Scheme of Work

Cambridge International AS & A Level

Economics 9708

For examination from 2023

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# [Introduction](#_Contents)

This scheme of work for Cambridge International AS & A Level Economics 9708 has been developed for teachers to help provide ideas about how to construct and deliver this course. It does this by breaking down the syllabus into an accessible number of AS and A Level topics, with suggested teaching activities, resources and teaching notes provided for each. This document also provides a suggested teaching order for use or adaptation, and an indication of the amount of teaching time you might want to allow for each topic. The AS Level topics come first to help ensure that it will support centres teaching the AS Level award or the full A Level via a modular or linear routes effectively.

The scheme of work is divided into the topics to ensure that teachers have clear and visible coverage of the whole syllabus. The activities provided for each topic are suggestions and there are many other useful activities to be found in other resources. The topics within this scheme of work are:

| **Topic areas** | **Suggested AS Level time allocation (%)** | **Suggested A Level time allocation (%)** |
| --- | --- | --- |
| Basic economic ideas and resource allocation | 20% | 10% |
| The price system and the microeconomy | 20% | 30% |
| Government micro economic intervention | 10% | 20% |
| The macroeconomy | 30% | 30% |
| Government macro intervention | 10% | 10% |
| International economic issues | 10% | 10% |

Suggested teaching order

Teachers will have different views about the correct order to teach specific topics for this syllabus, but this scheme of work is set out in this way for a particular reason. There is a logic in starting with basic economic ideas, progressing through microeconomics in terms of both the price system and government intervention, and then going on to focus on macroeconomics issues and possible reasons for government intervention. There are other possible alternative teaching approaches. For example, some teachers might prefer to start with macro issues and then go on to study micro-economics. The teaching order would also depend on whether it was decided to teach AS Level and A Level in separate years or to teach them together. Decisions about the teaching order are also likely to depend on whether a centre has just one teacher of Economics or a number of teachers teaching the subject.

Key concepts

**Key Concept 1 (KC1) – Scarcity and choice**

**Key Concept 2 (KC2) – The margin and decision-making**

**Key Concept 3 (KC3) – Equilibrium and disequilibrium**

**Key Concept 4 (KC4) – Time**

**Key Concept 5 (KC5) – Efficiency and inefficiency**

**Key Concept 6 (KC6) – The role of government and the issues of equality and equity**

**Key Concept 7 (KC7) – Progress and development**

This scheme of work suggests a range of potential opportunities to focus on these key concepts to help make teachers aware of which topics in the syllabus could help exemplify the key concepts. It is envisaged that a focus on these key concepts will result in a number of benefits for learners, including:

* a greater depth as well as breadth of subject knowledge
* confidence, especially in applying knowledge and skills in new situations
* the vocabulary to discuss their subject conceptually and show how different aspects link together
* a level of mastery of their subject to help them enter higher education.

The key concepts are an important teaching and learning tool and, as such, will not be directly assessed or included in mark schemes, although clearly a good grasp of them could lead to better quality answers. They can be used to empower both teachers and learners, but they can be applied usefully in a range of contexts and not simply in the ones referred to above. Teachers and learners can apply and adapt them in a variety of contexts and the outcome will be a more lively and enriching experience for both.

Resources

You can find the endorsed resources on the Published resources tab of the syllabus page on our [public website](https://www.cambridgeinternational.org/programmes-and-qualifications/cambridge-international-as-and-a-level-economics-9708/published-resources/)

Endorsed textbookshave been written to be closely aligned to the syllabus they support, and have been through a detailed quality assurance process. All endorsed textbooks are the ideal resource to be used alongside this scheme of work as they cover each learning objective. In addition to reading the syllabus, teachers should refer to the specimen assessment materials.

[Teaching tools](https://learning.cambridgeinternational.org/classroom/course/view.php?name=teachingtools) **–** designed to help you to deliver interactive classroom activities and engage learners.

[Tool to support remote teaching and learning](https://www.cambridgeinternational.org/support-and-training-for-schools/support-for-teachers/tools-remote-teaching-and-learning/) – find out about and explore the various online tools available for teachers and learners.

School Support Hub

The [School Support Hub](http://www.cambridgeinternational.org/support) is a secure online resource bank and community for Cambridge teachers, where you can download specimen and past question papers, mark schemes and other teaching and learning resources. This scheme of work is available as PDF and an editable version in Microsoft Word format. If you are unable to use Microsoft Word you can download Open Office free of charge from [www.openoffice.org](http://www.openoffice.org/)

Websites

This scheme of work includes website links providing direct access to internet resources. Cambridge Assessment International Education is not responsible for the accuracy or content of information contained in these sites. The inclusion of a link to an external website should not be understood to be an endorsement of that website or the site's owners (or their products/services).

The website pages referenced in this scheme of work were selected when the scheme of work was produced. Other aspects of the sites were not checked and only the particular resources are recommended.

How to get the most out of this scheme of work – integrating syllabus content, skills and teaching strategies

This scheme of work provides some ideas and suggestions of how to cover the content of the syllabus. The following features help guide you through your course.

**Extension activities** provide your more able learners with further challenge beyond the basic content of the course. Innovation and independent learning are the basis of these activities.

**Past papers, specimen papers** and **mark schemes** are available for you to download from the [School Support Hub](http://www.cambridgeinternational.org/support).

Using these resources with your learners allows you to check their progress and give them confidence and understanding.

**Formative assessment (F)** is on-going assessment which informs you about the progress of your learners. Don’t forget to leave time to review what your learners have learnt, you could try question and answer, tests, quizzes, ‘mind maps’, or ‘concept maps’. These kinds of activities can be found in the scheme of work.

**Suggested teaching activities** give you lots of ideas about how you can present learners with new information without teacher talk or videos. Try more active methods which get your learners motivated and practising new skills.

**Independent study (I)** gives your learners the opportunity to develop their own ideas and understanding without direct input from you.

| Syllabus ref. and Key Concepts (KC) | Suggested teaching activities | Teacher guidance and resources |
| --- | --- | --- |
| Nature and definition of public goods | Learners give examples, ideally within the learner’s local environment, and explain their choice.  **Extension activity: I**n pairs, learners discuss why Public Goods are associated with market failure. | Public goods must possess these characteristics to explain the ‘free rider problem’. |
| Nature and definition of merit goods: | Provide a definition and examples of merit goods in terms of imperfect information by consumers.  Learners write down examples of merit with some justification for their choices. **(I)/(F)** | Under-consumption as a result of imperfect information in the market. |

# 1. [Basic economic ideas and resource allocation (AS Level)](#_Contents)

| **Syllabus ref. and Key Concepts (KC)** | **Suggested teaching activities** | **Teacher guidance and resources** |
| --- | --- | --- |
| **1.1 Scarcity, choice and opportunity cost** | | |
| The fundamental economic problem  The meaning of scarcity and the need to make choices at all levels (individuals, firms, governments)  **KC1** | Introduce the idea of economic ‘needs’ and ‘wants’ (and the difference to general non-economic needs and wants.)  Learners list their economic ‘needs’ and their economic ‘wants’. **(I)**  As a class, share and discuss learners’ ideas. Is there a limit to their economic needs? Is there a limit to their economic wants? Can all their wants be fulfilled? If not, why not?  Use the class discussion to introduce the remaining fundamental key terms in economics:   * resources * Scarcity * Choice.   Groups produce a ‘mind map’ which illustrates the connections between the key terms explained and what we mean by the term ‘economics’.  **Extension activity:** more confident learners can produce their map on the whiteboard for the class to discuss. | It is important to stress at this point that economists assume that wants are unlimited. This is a key assumption.  At this point it is sufficient to list the factors of production and point out that a more detailed explanation will follow.  [www.tutor2u.net/economics/revision-notes/as-markets-scarcity-and-choice.html](http://www.tutor2u.net/economics/revision-notes/as-markets-scarcity-and-choice.html)  Key Concept 1: Scarcity and choice This is a good time to introduce the idea of key concepts and explain how they will run throughout the study of AS & A Level Economics. Then link this concept to the preceding teaching. It is important to stress that the idea of scarcity is fundamental, and how to use scarce resources requires choices to be made. If scarcity did not exist there would be no need for the subject of economics. |
| Nature and definition of opportunity cost | Ask learners questions based on what choices they have made recently. Explain that the choice they didn’t take is the opportunity cost of their decision. |  |
| **1.2 Economic methodology** | | |
| Economics as a social science, | When explaining compare with a physical science. | A good explanation at this point helps learners understand economic methodology throughout the course. |
| Positive and normative statements | Introduce definitions of positive and normative statements  Give learners working in pairs a number of statements, some positive, and some normative. Learners categorise them into the two types.  Go through the answers as a class, and learners justify their conclusions verbally.  Learners, individually or in pairs, to construct a positive and a normative statement themselves. **(I)**  Plenary or starter for next lesson, use the ‘swipe-it resource’. | Ideally, the examples should relate to the economy of the learner’s country.  [www.tutor2u.net/economics/blog/positive-and-normative-statements-try-our-swipe-it-resource](https://www.tutor2u.net/economics/blog/positive-and-normative-statements-try-our-swipe-it-resource) |
| Ceteris paribus,  Time period |  | This is best introduced when teaching demand and supply, and the introduction of changing determinants of demand, or the production possibility curve (PPC). |
| **1.3 Factors of production** | | |
| Nature and definition of factors of production,  Difference between human and physical capital | Give definition of factors. Learners categorise various examples of the factors, into land, labour, capital (physical and human) | This is a good mini white board activity, as you can see all answers. |
| The rewards to the factors of production: land, labour, capital and enterprise | Explain to learners the meaning of and difference between the four factors of production (categories of resource): land, labour, capital, and enterprise.  Learners form small groups and choose a type of product (e.g., clothing, food, furniture, electrical equipment.). Each group has to identify four examples of factors of production (resources) that could be used to produce the product and how these factors might be used to fulfil the needs and wants of the group.  Give learners a worksheet listing a range of different resources that might be used in a modern economy and ask them to classify each resource according to type, perhaps using a table. Learners swap worksheets and assess each other’s work. | Take care when explaining the terms. Economic ‘capital’ refers to assets, such as machines, used as a means of producing consumer goods/services, rather than valuable themselves. (This is not financial capital which refers to financial assets held in banks.)  ‘Land’ includes everything that we grow on the land, or use from the sea as well as all raw materials, for example wood, and iron.  **Note:** Enterprise is sometimes described as a ‘special type of labour’. |
| The rewards to the factors of production: land, labour, capital and enterprise | Match activity. Give learners definitions of rewards and ask them to match up with the factor. |  |
| Specialisation and the division of labour  **KC1** | Watch a video (from YouTube) of a factory in action such as a car factory. Compare with a business making cars by hand. Discuss with class, why the factory produces more products. Use the video as a basis of discussion of specialisation. | [www.youtube.com/watch?v=-z3xJJxOx6E](https://www.youtube.com/watch?v=-z3xJJxOx6E)  Videos which explain the theory.  [www.youtube.com/watch?v=ATPxQih6Uag](https://www.youtube.com/watch?v=ATPxQih6Uag)  www.youtube.com/watch?v=Mq6VF7TSpk4 |
| The role of the factor entrepreneur in contemporary economies | Each learner imagines that they have recently been appointed to the role of managing director of an organisation of their choice. They list as many functions as they can that are necessary to successfully undertake this role.  Collate the responses on the whiteboard. Identify the specific functions associated with the factor of enterprise. | It is essential that key elements such as risk taking, organising the other factors of production and receiving profit are clearly linked to the factor enterprise. |
| Progress check – factors of production | Consolidate learning based on a short answer or multiple choice questions selected from Cambridge past papers (pre 2023) on the nature of factors of production to help consolidate learning on this topic.  Go through the answers with the class, inviting learners to discuss the reasons for the answers they gave. | Multiple-choice questions are particularly useful for this type of activity as learners can talk about their choices and explain why they rejected each of the alternative options, thus helping to consolidate learning. |
| **1.4 Resource allocation in different economic systems** | | |
| Decision making in market, planned and mixed economies,  Resource allocation in these economic systems | Class discussion on how resource allocation relates to each of the three key questions:   * what will be produced? * how? * for whom.   Provide a list of characteristics which are commonly associated with the three economic systems. Learners, individually or in pairs to categorise the characteristics into each system.  **Flipped learning task.** Direct learners to research the economic systems. Include, the key characteristics, advantages and disadvantages of each system.  Learners provide evidence to decide what kind of economic system might accurately represent their economy. | It is important to establish how economic systems address the basic economic problem.  Distinguish between price mechanism and resource allocation in market system and how central governments allocate resources in a planned economy.  [www.tutor2u.net/economics/reference/economic-systems](http://www.tutor2u.net/economics/reference/economic-systems)  This resource includes a video about Cuba which could provide a basis for discussion.  [www.tutor2u.net/economics/reference/economic-systems-connection-wall-activity](https://www.tutor2u.net/economics/reference/economic-systems-connection-wall-activity)  This is useful as a plenary activity or can be adapted to use in a variety of ways in class. |
| **1.5 Production possibility curves (PPC)** | | |
| Nature and meaning of a PPC  **KC1** | Introduce the idea of production possibility curves and opportunity lost. Learners imagine they have a fixed amount of money to spend. Use a simple straight-line graph of the possibilities between e.g., all electronic products, all books, and combinations of both, where one electronic product is equivalent to four books. (Use products relevant to the local context.)  Learners decide where on the graph they would choose. What have they lost in terms of the alternative product? | Ensure that learners understand that a production possibility curve describes all the combinations of two goods which can be produced, **using all available resources.**  Important that learners correctly label the axes. |
| Shape of the PPC  Constant and increasing opportunity costs  **KC2**  **KC5** | Define opportunity cost as the **next best** foregone alternative. Explain that a production possibility curve is a simple economic model which makes predictions about the relationship between variables, based on simplifying assumptions.  Make sure learners understand that this is an example of fixed opportunity costs and results in a straight-line production possibility graph.  Provide learners with data on alternative levels of output (e.g., of agricultural and manufactured products) which produce an opportunity cost that is concave to the origin. Learners individually plot a graph of the production possibility curve.  Learners work in pairs, writing down their answers to the following:   * what does a single point on this curve represent? * comparing the opportunity cost in the output of one of the products at different points along the curve (e.g.as more units of the other product are produced) * explain what is happening to the opportunity cost. | It should also be pointed out that this cost is measured in real terms not monetary terms and that we must assume that consumers can measure the amount of satisfaction gained by the consumption of a unit of a good/service.  This is an example of ‘ceteris paribus’: it assumes that all other factors which might affect the production output remain constant.  [www.tutor2u.net/economics/revision-notes/as-markets-production-possibility-frontier.html](http://www.tutor2u.net/economics/revision-notes/as-markets-production-possibility-frontier.html) |
| Causes and consequences of shifts in the PPC | Learners draw separate production possibility curves to illustrate:   * increasing costs * constant costs * economic growth.   Learners explain the shape and shift of each production possibility curve to the class. **(I)(F)** | [www.tutor2u.net/economics/revision-notes/as-markets-production-possibility-frontier.html](http://www.tutor2u.net/economics/revision-notes/as-markets-production-possibility-frontier.html) |
| Significance of a position within a PPC | Learners consider what a point within the PPC means in terms of production. |  |
| Progress check | Q2a, Specimen Paper 2 (for examination from 2023) |  |
| **1.6 Classification of goods and services** | | |
| Nature and definition of free goods and private goods (economic goods) | Elicit key characteristics associated with free goods and private goods through questions/answers, e.g., provide examples, and ask questions about whether there is any restriction to them (e.g. through pricing) if their supply is limited/unlimited, what consumption by one consumer will mean for consumption by others.  Learners provide examples from their own experience. | Make sure learners understand that the economist’s definition of a ‘free good’ is different to the general understanding of the term. It means a good that is not scarce and is therefore available in as great a quantity as desired with no factors of production (see the earlier activities on scarcity and factors of production). |
| Nature and definition of public goods | Describe characteristics of public goods: there is no restriction on access once the good is produced, and no reduction in availability due to consumption. Emphasise that these goods must possess the characteristics outlined.  Learners give examples within the learner’s local environment, and explain their choice.  **Extension activity:** in pairs, learners discuss why Public Goods are associated with market failure. | Public goods must possess these characteristics to explain the ‘free rider problem’. |
| Nature and definition of merit goods | Provide a definition and examples of merit goods in terms of imperfect information by consumers. Learners write down examples of merit with some justification for their choices. **(I)/(F)** | Under-consumption as a result of imperfect information in the market. |
| Nature and definition of demerit goods | Provide a definition and examples of demerit goods, in terms of imperfect information by consumers. Learners write down examples of demerit goods with some justification for their choices. **(I)/(F)** | Over consumption as a result of imperfect information in the market. |
| Free goods; private goods (economic goods); and public goods | Provide a definition and examples of these types of goods. Learners write down examples of these goods with some justification for their choices. **(I)/(F)** |  |
| Consolidation of nature of goods | A simple categorisation or match the terms activity would be useful here to ensure learner understanding. | Worksheet or mini whiteboards could be used, or a carousel around the class. |
| **Past and specimen papers** | | | |
| Past/specimen papers and mark schemes are available to download from the [School Support Hub](http://www.cambridgeinternational.org/support) (F) | | | |

# 2. [The price system and the microeconomy (AS Level)](#_Contents)

| **Syllabus ref. amd Key Concepts (KC)** | **Suggested teaching activities** | **Teacher guidance and resources** |
| --- | --- | --- |
| **2.1 Demand and supply curves** | | |
| Effective demand | Give definition of effective demand. | It is important to emphasise that it is only effective demand which matters to business organisations and therefore to economists.  [www.tutor2u.net/economics/revision-notes/as-markets-demand.html](http://www.tutor2u.net/economics/revision-notes/as-markets-demand.html) |
| Individual and market demand and supply  **KC1** | In pairs, learners:   * decide how many cups of a suitable drink they would buy in a week at different given prices * produce a table illustrating this relationship between the price of the drink and the number of cups demanded * plot a graph of demand for based on this data * write down the relationship between their demand for the chosen drink and its price * demonstrate the ‘law of demand’ through the downward slope of the curve – an increase in price leads to a decrease in quantity demanded, but a decrease in price leads to an increase in quantity demanded.   Follow this with a class question and answer session. As part of this use the demand curve graphs produced by the learners or a pre-prepared curve to:   * establish the meaning of the terms ‘extension of demand’ and ‘contraction of demand’ * explain that extensions/contractions only occur due to price changes | Stress throughout the importance of plotting graphs which are accurately labelled and use the full extent of both axes.  Remind learners to keep the graphs developed in the pair work task as they will be needed for the next activity.  Note that demand and supply curves are another example of ceteris paribus covered in the activities on scarcity choice and opportunity cost in the first AS unit on *Basic economic ideas*.  Both inferior goods for low income purchasers and luxury items can produce abnormal demand curves.  [www.tutor2u.net/economics/revision-notes/as-markets-supply.html](http://www.tutor2u.net/economics/revision-notes/as-markets-supply.html)  [www.tutor2u.net/economics/revision-notes/as-markets-demand.html](http://www.tutor2u.net/economics/revision-notes/as-markets-demand.html) |
| Individual and market demand | Market demand- explain that the class is a sample of the whole market. The market demand is the summation of all individual demand curves. |  |
| Determinants of demand  **KC1**  **KC2** | Learners in pairs think of anything else other than price that might affect demand for their chosen drink.  Ask each pair to share their ideas with the class and then use this to produce a combined list of factors. Write answers/ feedback on whiteboard. Learners put into a spider diagram.  In pairs, learners consider how each factor determines demand.  Activity on compliments and substitutes. Give learners pairs of goods (on a PowerPoint) ask them to write down whether they are compliments or substitutes.  Develop by introducing the idea of price changes of compliments and substitutes and how this would affect demand. | The two pair tasks in this activity provide a good opportunity for peer mentoring.  **Ceterus Paribus** can be introduced here. |
| Determinants of supply | As above but for supply. |  |
| Causes of a shift in the demand curve (D) | Present a diagram showing how the demand can shift to both the left and right. Give explanation.  Give learners a list of scenarios based on determinants of demand.  Learners draw diagrams showing changes and include explanation. | Relate to activity above (Determinants of Demand).  Shifts in curves consolidation can be done as a quick activity on mini white boards at the end of a lesson.  It is important that learnerss know how to explain the diagrams fully. |
| Causes of a shift in the supply curve (DS | As a above but for supply |  |
| Distinction between the shift in the demand or supply curve and the movement along these curves, | Give task to show effect of changing demand and supply, include a price change. | This can be incorporated when giving explanations in the above sections. |
| Progress check – demand and supply curves | Consolidate learning on demand and supply by selecting questions or part-questions from Cambridge Paper 2 past papers (pre 2023) to set as a class test or homework.  Multiple-choice questions are also useful at this stage. | Select questions that require learners to draw curves, graphs or diagrams.  Cambridge specimen papers (2023, past papers (pre 2023) and mark schemes are available at [www.cambridgeinternational.org/support](http://www.cambridgeinternational.org/support) |
| **2.2 Price elasticity, income elasticity and cross elasticity of demand** | | |
| The definition and calculation of elasticity of demand | Demonstrate suitable elastic and inelastic materials to the class to illustrate that elasticity is about how responsive one variable is to a change in another. Give definition.  Give formula for calculation.  Hand out pre-prepared worksheets containing data for several different goods, showing for each good:   * the price of that good * the amount sold at that price * the change in the amount sold when the price changes (increases/decreases).   Do an example calculation with the class, showing that an inverse relationship between price and demand gives a negative coefficient.  Learners compare their answers in pairs.  Conclude by explaining to the class that:   * different goods can have different elasticities, and what the possible reasons for this are. | This activity offers several opportunities for differentiation to help support learners of different ability levels with this topic. For example, you can:   * tailor the worksheet to provide questions with different levels of difficulty for more able and less confident learners * encourage peer mentoring by asking learners to review and discuss their answers with each other * ask more able learners to investigate the difference between arc elasticity and point elasticity.   [www.tutor2u.net/economics/revision-notes/as-markets-price-elasticity-of-demand.html](http://www.tutor2u.net/economics/revision-notes/as-markets-price-elasticity-of-demand.html)  [www.economicsonline.co.uk/Competitive\_markets/Elasticity.html](http://www.economicsonline.co.uk/Competitive_markets/Elasticity.html)  (Online quiz) |
| The range of elasticities of demand | Explain the following three special cases of price elasticity of demand.   * perfectly elastic (PED = infinity) * perfectly inelastic (PED = 0) * unitary elastic. (PED = –1)   In pairs, learners are given a pre-prepared worksheet containing demand and price data for each type of special elasticity. each pair:   * calculates the percentage change in elasticity for each data set and identify which is perfectly elastic, perfectly inelastic and unitary elastic * constructs graphs based on these coefficients to represent each of these three categories.   Discuss the significance of these coefficients and the three cases they relate to.  Learners suggest practical ways in which understanding of these coefficients could be applied of useful applications of this understanding, for example, the type of good that a government wishing to raise tax revenue, is likely to tax. |  |
| Relationship between PED and total expenditure | Hand out a pre-prepared worksheet containing a table of price and total revenue with gaps in the data and learners calculate the revenue (price x quantity) both before and after the price change.  Class discussion based on this work to establish the relationships between price changes, elasticity and changes in total revenue.  Learners plot a graph from given data showing the impact of variations in price elasticity of demand can lead to price volatility following a change in conditions of supply. | Give learners plenty of opportunity to practice questions on this topic to ensure they understand both the economic concepts and the mathematical calculations.  [www.economicsonline.co.uk/Competitive\_markets/Elasticity.html](http://www.economicsonline.co.uk/Competitive_markets/Elasticity.html) (online quiz) |
| The meaning and calculation of Income elasticity of demand | Class discusses how the amount people spend changes (or doesn’t) when their income changes. Show learners (PowerPoint) a range of products and they rank in order which products would see the biggest change in demand following a change in income.  Give definition; give formula.  Hand out a pre-prepared worksheet for learners to calculate income elasticities of demand for a suitable range of normal, luxury and inferior goods. | Income elasticity of demand measures the change in demand in relation to change in income, e.g., the percentage change in quantity demanded of a good divided by the percentage change in income.  Inferior goods such as junk food is one example of where demand might fall with a rise in income.  [www.economicsonline.co.uk/Competitive\_markets/Income\_elasticity\_of\_demand.html](http://www.economicsonline.co.uk/Competitive_markets/Income_elasticity_of_demand.html) |
| The meaning and calculation of Cross elasticity of demand | Learners give examples of goods that substitute another good and then that and complement that original good. Learners suggest what they think will happen to the demand of the substitute good and the complementary good if the price of the original good increases.  Introduce the term ‘cross-price of demand’. Learners build on this and use their learning on income elasticity of demand to produce a formal definition of cross-price elasticity of demand.  Learners share their ideas with class. Ensure everyone understands the correct definition.  Hand out a pre-prepared worksheet requiring learners to calculate values of cross-elasticity associated with complementary and substitute goods. Include questions that check learners’ understanding of the relationship between the value of cross-elasticity coefficients and complementary and substitute goods. | Cross-price elasticity measures the responsiveness of demand for a good following a change in price for a related good, e.g., the percentage change in quantity demanded of product A divided by the percentage change in price for product B.  Complementary goods produce a negative sign and substitute goods generate a positive sign. This should be established by choosing goods, establishing their type and then calculating their cross-price elasticity.  [www.tutor2u.net/economics/revision-notes/as-markets-crossprice-elasticity-of-demand.html](http://www.tutor2u.net/economics/revision-notes/as-markets-crossprice-elasticity-of-demand.html) |
| The implications for decision making of price, income and cross-elasticities of demand | [Think-Pair-Share](https://www.wgu.edu/heyteach/article/how-think-pair-share-activity-can-improve-your-classroom-discussions1704.html)– Learners decide what elasticity tells us about a product. Is it useful? Are there any flaws? Give learners some structure through set questions.  Learners write down their answers/ findings. Draw findings together by class discussion. |  |
| **2.3 Price elasticity of supply** | | |
| Definition and calculation of elasticity of supply | Learners refer to the definition of price elasticity of demand discussed earlier in the section and use this as a guide to formulating their definition and formula for price elasticity of supply.  Learners complete worksheet questions and practise calculations using the online elasticity quiz.  Exchange sheets and peer assess. | [www.tutor2u.net/economics/content/topics/elasticity/elasticity\_of\_supply.htm](http://www.tutor2u.net/economics/content/topics/elasticity/elasticity_of_supply.htm)  [www.economicsonline.co.uk/Competitive\_markets/Elasticity.html](http://www.economicsonline.co.uk/Competitive_markets/Elasticity.html)  (Online quiz)  Highlight the relationship between price and supply, and the sign of the coefficient: if the relationship is direct (as price increases, supply increases), the coefficient is positive. |
| Significance of relative percentage changes, the size and sign of coefficient of PES | Invite individual learners to draw and explain a supply curve on the whiteboard which is consistent with one of the three limiting cases (perfectly elastic, unitary, perfectly inelastic).  The class then decides whether the diagram and explanation are correct and if not, why not. Repeat for the two remaining limiting cases. | This exercise provides opportunities for the more confident learner to demonstrate their understanding and allow the class to partake in determining the solutions  [www.tutor2u.net/economics/content/topics/elasticity/elasticity\_of\_supply.htm](http://www.tutor2u.net/economics/content/topics/elasticity/elasticity_of_supply.htm) |
| The factors affecting elasticity of supply | Explore factors which influence supply through class question and answer and establish the importance of the relative time period.  Use a graphical explanation of e.g., supply of fish in a three part diagram (momentary/short run/long run).  Ask learners for examples of other products for which the time period is an important factor determining the price elasticity of supply.  Learners use the tutor2u website to find an explanation of factors, which influence elasticity of supply. They list the factors, based on their research.  Use learner input to form a list of the main influences on the elasticity of supply for the class.  Provide examples of different goods/services and learners decide (with explanations) which of these might be elastic or inelastic. | The teacher could give each learner a hand-out which lists the key factors which determine the price elasticity of supply.  [www.tutor2u.net/economics/content/topics/elasticity/elasticity\_of\_supply.htm](http://www.tutor2u.net/economics/content/topics/elasticity/elasticity_of_supply.htm) |
| Progress check | Question 3, Specimen Paper 2 for examination from (2023) | Part (b) of this question gives learners the opportunity to apply government micro policies. |
| **2.4 The interaction of demand and supply** | | |
| Definition of equilibrium and disequilibrium  **KC3** | Draw a diagram on the board of a market in equilibrium.  Give definition and explain equilibrium.  Draw on diagram other output positions; Learners identify if the market is in equilibrium. Explain that demand is not equal to supply at these other points – disequilibrium.  Learners draw diagram showing excess demand and excess supply. | It is important to expand the definition of equilibrium to ensure that learners understand that the market will not clear, i.e. there will not be excess demand or supply, but also the price will not change, because the market is balanced or stable.  [www.tutor2u.net/economics/content/topics/demandsupply/market\_equilibrium.htm](http://www.tutor2u.net/economics/content/topics/demandsupply/market_equilibrium.htm) |
| Effects of shifts in demand and supply curves  **KC3** | Review briefly the factors other than price affecting demand and supply.  Using diagrams (learners to draw on the whiteboard) and question and answers, e.g., how would the factor affect demand at each price, what is the resulting plot on the graph, show how an **increase** in demand causes the whole demand curve to shift to the right **(increase)** and a **decrease** shifts the whole curve to shift to the left**.**  Repeat to show shifts of a supply curve.  Use diagrams and learner input to look at movement **along** the demand and supply curves and revise the meaning of **contraction** and **extension** (e.g., change in price causing change in quantity demanded/supplied). Re-emphasise the differences between **decrease and contraction** of supply and demand and **increase and extension** of supply and demand. | The teacher might pair able learners with a learner who is finding difficulty with this section of the course. This will provide a further opportunity for peer mentoring.  [www.tutor2u.net/blog/index.php/economics/comments/unit-1-micro-key-diagrams-and-glossary](http://www.tutor2u.net/blog/index.php/economics/comments/unit-1-micro-key-diagrams-and-glossary)  Ensure learners understand how the equilibrium changes. Ensure learners know how to fully explain the changes that occur in the market when there are changes. |
| Joint demand (complements) and alternative demand (substitutes) | Use diagram and learner input to show how a decrease in the price of a good that is complementary to product A might cause the whole demand curve for product A to shift to the right **(increase)**. Alternatively, if the price of the complementary product increases, the whole demand curve for product A might shift to the left **(decrease)**.  Learners repeat this activity for an increase or decrease in the price of a substitute good and show how this might cause the whole curve to shift to the right **(increase)** or to the left **(decrease)**. | [www.tutor2u.net/economics/revision-notes/as-markets-crossprice-elasticity-of-demand.html](http://www.tutor2u.net/economics/revision-notes/as-markets-crossprice-elasticity-of-demand.html) |
| Derived demand | Give learners an example of derived demand (workers are an obvious one). Learners draw a diagram to show the effect of the change in one market on the other. |  |
| Joint supply | Learners provide possible examples of joint supply. Note suggestions on the whiteboard and ask the class whether and why they would accept/reject chosen examples.  Learners draw relevant diagrams to show the impact on the market equilibrium price of a change in the price of a good in joint supply.  Learners can swap diagrams and mark according to teacher mark scheme. | [www.tutor2u.net/blog/index.php/economics/comments/joint-supply-the-by-products-of-pigs](http://www.tutor2u.net/blog/index.php/economics/comments/joint-supply-the-by-products-of-pigs) |
| The workings of the price mechanism; rationing, signalling and the transmission of preferences  **KC3** | Learners could work in pairs or small groups to consider examples of where the price mechanism is used as a rationing and signalling device. For example, the operation of an auction or an internet buy and sell site. This activity would require prior input by the teacher.  Learners could watch the video on Tutor2u and make their own notes. Or a structured worksheet could be provided to accompany the video. | Emphasise that the price mechanism is not a static, but a dynamic, concept. The price mechanism involves rationing and signalling functions and learners need to appreciate that a price paid by a consumer is a way if indicating preferences.  [www.tutor2u.net/economics/reference/functions-of-the-price-mechanism-1](https://www.tutor2u.net/economics/reference/functions-of-the-price-mechanism-1) |
| **2.5 Consumer and producer surplus** | | |
| Meaning and significance of consumer surplus | Use a question-and-answer session using examples (e.g. concert tickets) to produce a description of consumer surplus.  Draw a diagram to show consumer surplus. | The surplus is the difference between the price the consumer would be willing to pay and the actual price paid (market price). |
| Meaning and significance of producer surplus | Use a question-and-answer session using examples to produce a description of producer surplus.  Draw a diagram to show producer surplus. | The surplus is the difference between the price the producer would be willing to sell for and the actual selling price (market price). |
| Causes of changes in consumer and producer surplus.  Significance of elasticity  **KC3** | Give learners working individually a worksheet with four diagrams. Each diagram shows the effect on market equilibrium price, due to either a shift in supply or a shift in demand. Learners show how the consumer and producer surplus will change in each situation.  Learners exchange completed worksheets, mark the answers and discuss each other’s response.  Now introduce a new worksheet showing diagrams with different elasticities of price and supply. Give learners scenarios to shift the curves and they note the resulting change in consumer and producer surplus. | Illustrate by explaining the situation when the market is not in equilibrium and then linking this to an inefficient outcome.  [www.tutor2u.net/blog/index.php/economics/comments/unit-1-micro-key-diagrams-and-glossary](http://www.tutor2u.net/blog/index.php/economics/comments/unit-1-micro-key-diagrams-and-glossary) |
| Progress check – consumer and producer surplus | To consolidate learning on this topic, set learners an end of topic quiz on consumer/producer surplus. Include multiple-choice questions from Paper 1 past papers (pre-2023) and make sure this gives the opportunity to revise all the material covered in this section. **(I)(F)**  Discuss the answers to help clarify any weak areas or misunderstandings. | You should also take the opportunity to discuss good multiple choice question techniques as part of exam skills in general. |
| **Past and specimen papers** | | | |
| Past/specimen papers and mark schemes are available to download from the [School Support Hub](http://www.cambridgeinternational.org/support) (F) | | | |

# 3. [Government microeconomic intervention (AS Level)](#_Contents)

| **Syllabus ref. and Key Concepts (KC)** | **Suggested teaching activities** | **Teacher guidance and resources** |
| --- | --- | --- |
| **3.1 Reasons for government intervention in markets** | | |
| Addressing the non-provision of public goods | [Think-Pair-Share](https://www.wgu.edu/heyteach/article/how-think-pair-share-activity-can-improve-your-classroom-discussions1704.html)– Using an example such as street lighting, learners consider why they are provided by the government.  Draw out the characteristics of a public good – place on board.  Learners think of other goods which have the same characteristics. | Ensure that the characteristics of a public good are clear –  Non rivalry and non-excludable.  Explanation of free rider problem is also needed. |
| Merit and demerit goods | [Think-Pair-Share](https://www.wgu.edu/heyteach/article/how-think-pair-share-activity-can-improve-your-classroom-discussions1704.html)– Using an example of a merit good, learners consider why they are provided by the government.  Draw out the characteristics of a merit good – place on board. Learners think of other goods which have the same characteristics. Do the same for demerit goods. | Merit goods are under-consumed due to information failure.  Demerit goods are over-consumed due to information failure. |
| Controlling prices in markets  **KC6** | [Think-Pair-Share](https://www.wgu.edu/heyteach/article/how-think-pair-share-activity-can-improve-your-classroom-discussions1704.html)– Learners consider which goods may have prices that are too high or too low in their own economy. Learners consider whether the government should intervene.  Case studies from newspapers may also be used to provide a stimulus. Ask the questions to illicit the answer. | You may have to give local examples of goods.  Explain how high and low prices result in excess supply and excess demand. |
| **3.2 Methods and Effects of government intervention in markets** | | |
| Indirect taxes  **KC6** | Explain using taxes of the learners’ own countries the definition of specific tax.  In pairs, learners think of reasons (for class discussion) for levying such taxes and what types of goods are suitable for taxation.  Draw diagram, on board to explain effect on market price and quantity demanded of an indirect tax.  Ask each learner to draw an inelastic demand curve and an elastic demand curve and then use their diagrams to show how the impact of a specific tax on price and units sold will vary significantly depending upon the elasticity of demand for the product.  Discuss the answers using diagrams and learners’ contributions. | Provide a clear explanation of the difference between the **impact** of a tax and the **incidence** (or burden) of a tax. The simple way to explain incidence, is that it is the percentage/proportion of a tax paid by the consumer compared to the percentage/proportion of the tax paid by the producer. |
| Subsidies  **KC6** | Invite individual learners to draw and label a diagram on the whiteboard which illustrates how a subsidy will affect the price and quantity sold of a good.  Invite learners from the class to make any changes to the diagram they think necessary.  Draw and explain the correct diagram on the whiteboard.  Learners draw an inelastic demand curve and an elastic demand curve and then use their diagrams to show how the impact of a specific subsidy on price and units sold will vary significantly depending upon the elasticity of demand for the product.  Learners draw diagrams on the whiteboard which illustrate the impact of a subsidy on perfectly elastic and perfectly inelastic goods. | Encourage learners to give examples of the type of goods/services which governments are likely to subsidise, and why.  Contrast the effect of a subsidy with that of a specific tax.  Requiring learners to construct diagrams will reinforce the assessment for learning approach.  [www.tutor2u.net/economics/revision-notes/as-marketfailure-producer-subsidies.html](http://www.tutor2u.net/economics/revision-notes/as-marketfailure-producer-subsidies.html) |
| Direct Provision | Learners write down what they think is meant by the ‘direct provision of goods and services’.  Learners make a list of goods which they think are more likely to be provided directly by governments rather than through the market mechanism.  Lead a class discussion which identifies some typical goods provided directly by governments. Focus on ‘Public’ and ‘Merit’ goods, which will revise material covered earlier.  Divide the class into two groups.  The groups identify goods as follows:   * Group 1: identifies goods they think should be provided directly. * Group 2: identifies goods they think should be provided through market forces.   Each group is given time to research and prepare their case. They will attempt to justify their choice to the class and answer questions from the class. | Ensure that learners understand the key difference between **direct** provision and **indirect** provision. |
| Maximum and minimum Prices  **KC3** | Ask each learner to write down what they think economists mean by a maximum and minimum price and provide an example of a situation where a maximum and a minimum price might be applied.  Demonstrate both maximum and minimum price effects by drawing appropriate graphs on the whiteboard. Learners supply suggestions for labelling the diagrams. | You should stress the importance of setting maximum prices below market equilibrium price and minimum prices above market equilibrium price.  Learners should clearly identify a situation which will cause an excess demand and compare this with a situation which will cause excess supply.  [www.tutor2u.net/economics/revision-notes/as-marketfailure-maximum-prices.html](http://www.tutor2u.net/economics/revision-notes/as-marketfailure-maximum-prices.html) |
| Buffer stocks | [Think-Pair-Share](https://www.wgu.edu/heyteach/article/how-think-pair-share-activity-can-improve-your-classroom-discussions1704.html)– Using agriculture as an example, explain how surpluses and shortages can occur. Learners consider what can be done to smooth out this surpluses and shortages.  Give learners a worksheet with diagram and explanation. Take out some of the keywords in the explanation and Learners put the right word in. | Buffer stock is where reserves of a commodity are held back during an abundance to stop prices going too low and released during a shortage to stop prices going too high.  ‘Filling in the gaps’ is an effective method in economics when links/ processes are needed to be understood. |
| Provision of Information | Research task. Learners find examples of government information schemes in their own country. Report by to class. Discussion of whether they are effective or not. | Local examples will help learners understand how provision of information can work, particularly of compared with changes in consumption of goods. |
| **3.3 Addressing Income and wealth inequality** | | |
| Difference between income and wealth as a stock concept. | Use a visual aid/ diagram to illustrate that income is a flow and wealth is a stock. | Visual aids can be found in google images. Images can aid learners’ understanding. |
| Measuring income and wealth inequality: Gini coefficient | Display a Lorenz curve to learners. Explain that a Gini coefficient is derived from a Lorenz curve. Display different Gini co-efficients for different countries so learners can appreciate the differences and what they mean. | Learners will not need to calculate the Gini coefficient from a Lorenz curve. |
| Economic reasons for inequality of income and wealth | Show the video from tutor2u.net. Learners take notes.  Feedback to teacher. Teacher displays on board.  Learners write up own notes. | [www.tutor2u.net/economics/reference/inequality-of-income-and-wealth](https://www.tutor2u.net/economics/reference/inequality-of-income-and-wealth) |
| Policies to redistribute income and wealth:   * Minimum wage * Transfer payments * Progressive income taxes * State provision of goods and services   **KC6** |  | Only a brief understanding of progressive taxation is needed at this stage. |
| **Past and specimen papers** | | | |
| Past/specimen papers and mark schemes are available to download from the [School Support Hub](http://www.cambridgeinternational.org/support) (F) | | | |

# 4. [The macroeconomy (AS Level)](#_Contents)

| **Syllabus ref. and Key Concepts (KC)** | **Suggested teaching activities** | **Teacher guidance and resources** |
| --- | --- | --- |
| **4.1 National income statistics** | | |
| Meaning and measuring national income statistics | Explain the measures using a numerical example from the learners’ own country. | Visual aids would be useful here. Look on Googleimages. |
| Adjustment of measures from market prices to basic prices | Explain using numerical example. |  |
| Adjustment of measures from gross values to net values. | Explain using numerical example. |  |
| **4.2 Introduction to the circular flow of income** | | |
| The circular flow of income between households, firms, government and the international economy; closed and open economies  Injections and leakages | Show presentation from Tutor2u on how the economy works.  Using this information, learners:   * construct a diagram of the circular flow of income between firms and households for both types of closed economy * then construct an equivalent diagram for an open economy * think of actual examples from their own or another given economy of all six injections/ leakages * add these to the diagram.   An alternative could be to give learners an unlabelled diagram and ask them to complete it.  Conclude pre-prepared questions to check understanding. | [www.tutor2u.net/economics/reference/circular-flow-of-income-and-spending](https://www.tutor2u.net/economics/reference/circular-flow-of-income-and-spending)  A closed economy does not trade with the rest of the world; an open economy does.  Ensure that learners fully understand the four-sector circular flow of income model of an open economy.  This activity provides a good opportunity for peer mentoring. |
| Equilibrium and disequilibrium  **KC3** | Display the circular flow diagram. Explain the concept of equilibrium (where injections = withdrawals). Now change the injections and withdrawals and ask learners what would have to the level of national income. | Mini whiteboard activity is good for this activity. |
| **4.3 Aggregate Demand (AD) and Aggregate Supply (AS) analysis** | | |
| Definition of aggregate demand.  Determinants of AD | Recap learning on demand and supply and how they interact to determine an equilibrium price from the earlier AS unit on *The price system and the microeconomy*.  Explain how aggregate demand is total demand.  Demonstrate on board the components by asking learners who demand goods and services in an economy. | Note: Detailed knowledge of components is not required. |
| The shape of AD  Causes of shifts in AD | In groups learners find examples in their own economy of the four main components of aggregate demand:   * consumer spending * investment * government spending * net exports (exports minus imports).   Class discussion on each group’s findings.  Give learners the required component data and they plot an AD curve.  Learners plot new curves by giving scenarios of changing factors which would shift the AD curve e.g. C,I, G, X,M |  |
| Definition of Aggregate Supply (AS) | Learners define aggregate supply. Discuss the suggestions provided and establish an accurate definition on the board.  Then draw a short-run aggregate supply curve and a long-run aggregate supply curve on the board. Use a class question and answer session to establish which is which and explain the difference in their shapes.  Learners:   * plot an AS curve and an AD curve on the same graph * use the resulting graph to explain the output gap. (**F)** | LRAS, either a vertical line or in three sections – highly elastic, upward sloping, vertical). |
| causes of a shift in the AS curve in the short run (SRAS). | Show the video. Learners make notes.  Establish with the class a list of factors which:   * cause movements along the AS curve * shift the AS curve. | [www.tutor2u.net/economics/reference/aggregate-supply](https://www.tutor2u.net/economics/reference/aggregate-supply) |
| Causes of shift in the LRAS curve | [Think-Pair-Share](https://www.wgu.edu/heyteach/article/how-think-pair-share-activity-can-improve-your-classroom-discussions1704.html) Explain LRAS is an increase in production potential.  Learners consider how production potential can be increased. Feedback to class. | A good opportunity to relate back to the PPF. |
| Effects of shifts in the AD curve and the AS curve on the level of real output, the price level and employment  **KC3** | Give out worksheet with various scenarios of changes in the determinants of AD and AS.  Learners draw diagrams to show changes and comment on the effect on the level of output, the price level and employment. | Ensure learners can fully explain the changes shown in the diagram and the resulting effect on **real output, price level and employment.** |
| **4.4 Economic Growth** | | |
| Meaning and measuring of economic growth | Explain how changes in GDP over a period of time lead to economic growth. Use numerical examples to illustrate. |  |
| Distinction between growth in nominal GDP and real GDP | Provide the class with worked example to show the difference between money values and real data, and a list of other indices which might be used.  Hand out a pre-prepared worksheet requiring learners to:   * calculate national output from supplied figures * explain why some figures give the ‘real value’ of the output and some the ‘money value’   explain the link between the GDP deflator and the distinction between real value and money value. | Worked example could be from a textbook or the webpage below.  [www.tutor2u.net/economics/reference/nominal-and-real-national-income](https://www.tutor2u.net/economics/reference/nominal-and-real-national-income) |
| Causes of economic growth | In groups, learners:   * find out the different factors that can contribute to economic growth in a country * show their findings in a presentation * give a short presentation to the class indicating what they consider to be the most important factors. |  |
| Consequences of economic growth  **KC5**  **KC7** | Case study work. Present learners with case studies illustrating consequences of growth, both good and bad. Learners identify the consequences from the case studies.  Class discusses whether economic growth is good or bad. | Using examples from learners own country is beneficial. Material on China provides lots of examples.  Tutor2u.net has lots of information about China.  [www.tutor2u.net/search?q=China](https://www.tutor2u.net/search?q=China) |
| **4.5 Unemployment** | | |
| Measuring unemployment | Explain with the use of a data chart, how unemployment is measured. Explain the differences in the methods  Explain that there are a number of difficulties involved in arriving at an accurate unemployment figure and as a result, a number of different approaches are used.  In pairs or groups, learners:   * consider the practical issues involved in measuring the number of people unemployed in an economy at any one moment * suggest ways in which these issues can be taken into account   Conclude with a class discussion on each group’s findings and what approaches can be used to estimate reliably. | Use a chart for the UK or for learners’ own country. |
| Causes of unemployment | Provide learners with case studies/ newspaper articles which illustrate various causes of unemployment. Learners identify the causes of unemployment in each case.  Class discussion to develop a more definitive list. Then focus the class discussion on assessing the differing impact on the economy of the different causes identified.  Consolidate learning by setting a past paper 2 question | Learners should understand that there are many different causes of unemployment in any economy, and that the reason why one person is unemployed may be different from why another person is.  Using a past paper question is a good way of consolidating learning on causes and there are many to choose from. |
| Consequences of unemployment  **KC7** | Explain that economic growth can bring both benefits and costs.  Provide case study (materials) In groups, learners:   * identify the various costs and benefits of growth * contrast the two and consider whether there should be limits   Feedback findings to class for wider discussion | Use videos or newspaper articles from the internet which highlight benefits or costs of growth, as handouts for learners. Articles may be from the learners’ own country.  [www.tutor2u.net/economics/revision-notes/a2-macro-economic-growth-costs-benefits.html](http://www.tutor2u.net/economics/revision-notes/a2-macro-economic-growth-costs-benefits.html) |
| **4.6 Price stability** | | |
| The definition of inflation, degrees of inflation and the measurement of inflation, deflation and disinflation | Learners write down what they think economists mean by inflation.  Discuss the responses in class and then provide a formal definition on the board which includes the following three key elements: a *persistent*rise in the *general* price level in a *given time period*.  Then learners define deflation. Again, discuss the responses in class and provide a formal definition including the three key elements.  Move on to explain the different methods for calculating the rate of inflation. Build up each stage of constructing the price level index carefully on the board.  Use graduated questions to enable learners to build up their skills in calculating inflation.  Go through afterwards and discuss the answers in class.  Consolidate learning by setting multiple choice questions from past papers. | When describing inflation or deflation, it is important that learners refer to a persistent rise/fall in the average price level.  [www.tutor2u.net/economics/revision-notes/as-macro-inflation.html](http://www.tutor2u.net/economics/revision-notes/as-macro-inflation.html) (price level index)  [www.tutor2u.net/economics/presentations/aseconomics/macro/Inflation/](http://www.tutor2u.net/economics/presentations/aseconomics/macro/Inflation/) (presentation about inflation) |
| Measurement of changes in the price level:  CPI  Possible difficulties in measuring | Show the video to learners. Learners make notes.  After the video, learners identify the stages of building the CPI.  Learners write in their own words how inflation is measured. Discuss possible problems.  Provide learners with multiple-choice questions to consolidate understanding. | [www.tutor2u.net/economics/reference/inflation-measuring-inflation](https://www.tutor2u.net/economics/reference/inflation-measuring-inflation)  Identifying steps helps learners remember how CPI is calculated.  Past paper 1 questions are useful here as there are many of them. |
| The causes of inflation (cost-push and demand-pull inflation) | Hand out a pre-prepared worksheet with the different types of inflation listed cost-push, demand-pull but with incomplete words on each. Learners fill in the gaps.  Give opportunity for learners to illustrate the causes of both types using a diagram.  Learners research which types of inflation currently exist in their own country’s economy and provide supporting evidence for each. | Filling in the gaps is a good way of illustrating the chains in economic analysis.  Before showing the causes, see if learners can do it first – remind them of AD/AS analysis. |
| The consequences of inflation | Research activity. In groups, learners:   * analyse the consequences of inflation in their chosen economy * identify and explain at least three different consequences * attempt to assess their order of importance.   Each group presents their findings to the class using a medium of their choice. Allow time for class questions.  **Extension activity:** groups explain and discuss the links between inflation and unemployment and the theory which underpins this. | Guide learners in the group task by suggesting possible links between inflation and potentially negative effects on macroeconomic indicators such as:   * economic growth * unemployment * balance of international payments.   [www.economicsonline.co.uk/Global\_economics/Inflation.html](http://www.economicsonline.co.uk/Global_economics/Inflation.html) |
| Progress check – inflation | To help reinforce learning on inflation, set question 4 from Paper 22 Mar 2020. | Do in timed conditions and mark as per the mark scheme to enable effective exam practice. |
| **Past and specimen papers** | | | |
| Past/specimen papers and mark schemes are available to download from the [School Support Hub](http://www.cambridgeinternational.org/support) (F) | | | |

# 5. [Government macroeconomic intervention (AS Level)](#_Contents)

| **Syllabus ref. and Key Concepts (KC)** | **Suggested teaching activities** | **Teacher guidance and resources** |
| --- | --- | --- |
| **5.1 Government macroeconomic policy objectives** | | |
| Use of government policy to achieve macroeconomic objectives:  price stability,  low unemployment, economic growth | Give scenarios of each of the objectives and learners explain how each policy will achieve the macro economic objectives.  Use of AD/AS diagrams to show impact of the three policies on each of the economic objectives. | This topic can only be covered after each of the policies have been covered. |
| **5.2 Fiscal policy** | | |
| Meaning of government budget.  Distinction between a government budget deficit and a government budget surplus | Explain what a government budget is, using examples of learners’ country.  Explain what a deficit is and what a surplus is. | Ensure learners know the difference between government budget and trade balance. |
| Meaning and significance of the national debt | Either through a power point or worksheet, give learners charts showing government borrowing and national debt. Set questions based on the data.  Learners research problems with national debt. Put results into a table of advantages and disadvantages. | [www.tutor2u.net/economics/reference/fiscal-deficits-and-the-national-debt](https://www.tutor2u.net/economics/reference/fiscal-deficits-and-the-national-debt) |
| Taxation:   * + types of taxes: direct/indirect   + Reasons for taxation | Learners write a list all the taxes they know of in their own country.  Give definitions of the direct and indirect tax.  Learners categorise the taxes they have listed into direct and indirect.  Lead on to a discussion on why governments tax. Learners make note of these. |  |
| Taxation  progressive/ regressive/ proportional rates of tax: marginal and average rates of taxation (mrt, art)  **KC2** | Using PowerPoint to show the income tax rates from learners’ own country.  [Think-Pair-Share](https://www.wgu.edu/heyteach/article/how-think-pair-share-activity-can-improve-your-classroom-discussions1704.html) – Why are there different rates of income tax?  Explain marginal rates of taxation (mrt) and average rates of taxation (art). Using data from own country.  Learners work out mrt and art for different ‘people’ earning different incomes. | The following video explains types of taxation  [www.tutor2u.net/economics/reference/progressive-and-regressive-taxes](https://www.tutor2u.net/economics/reference/progressive-and-regressive-taxes) |
| Government spending: • types of spending: capital (investment) and current • Reasons for government spending  **KC1** | Learners write a list all the items the government spends money on.  Give definitions of capital and current.  Learners categorise the categories they have listed into each type.  Lead on to a discussion on reasons for government spending. Learners make note of these. | This links back to components of AD. Learners could research how much is spent on each category for their country. This could be a flipped learning task.  This could lead onto a discussion on whether government should increase/ decrease certain components of government spending. |
| Distinction between expansionary and contractionary fiscal policy | Use AD/AS to demonstrate the two types of policy. | Tutor2u has many resources on fiscal policy  [www.tutor2u.net/search?q=fiscal+policy](https://www.tutor2u.net/search?q=fiscal+policy) |
| AD/AS analysis of the impact of expansionary and contractionary fiscal policy on the equilibrium level of national income and the level of real output, the price level and employment.  **KC4** | Explain, using one example, how changes in tax and/or government spending affects income, output, and employment. Do this using AD/AS diagram.  Learners draw the AD/AS. Diagram and explanation. | Practise of AD/AS diagrams and resulting impact on income, output and employment is important for candidates to do well in the examination. |
| **5.3 Monetary policy** | | |
| Definition of monetary policy  tools of monetary policy: interest rates, money supply and credit regulations | Use a video, to introduce the concept of monetary policy.  Set a worksheet with questions based on the video.  Follow up with discussion. | Both of these videos explain well.  [www.youtube.com/watch?v=uBaTPugw3M4](https://www.youtube.com/watch?v=uBaTPugw3M4)  [www.youtube.com/watch?v=UAA6LavH-0U](https://www.youtube.com/watch?v=UAA6LavH-0U) |
| Distinction between expansionary and contractionary monetary policy  AD/AS analysis of the impact of expansionary and contractionary monetary policy on the equilibrium national income and the level of real output, the price level and employment | Explain, using one example, on PowerPoint or on the board, how changes in tax and/or government spending affects income, output and employment. Do this using AD/AS diagram.  Learners draw the AD/AS. Diagram and explanation.  **Or** Use a video, to introduce the concept of monetary policy.  Set a worksheet with questions based on the video.  Follow up with discussion. | Practise of AD/AS diagrams and resulting impact on income, output and employment is important for candidates to do well in the examination.  Both of these videos explain well.  [www.youtube.com/watch?v=uBaTPugw3M4](https://www.youtube.com/watch?v=uBaTPugw3M4)  [www.youtube.com/watch?v=UAA6LavH-0U](https://www.youtube.com/watch?v=UAA6LavH-0U) |
| **5.4 Supply-side policy** | | |
| Meaning of supply-side policy. | Give definition of a supply-side policy.  Learners draw an AD/AS diagram and show effect supply-side policy i.e. Increasing productivity and productive capacity  [Think-Pair-Share](https://www.wgu.edu/heyteach/article/how-think-pair-share-activity-can-improve-your-classroom-discussions1704.html) – Why do governments use supply-side policy?  Learners write down these objectives in notes. | Mini whiteboards are good for this activity as learners are not worried about making mistakes. |
| Tools of supply-side policy | [Think-Pair-Share](https://www.wgu.edu/heyteach/article/how-think-pair-share-activity-can-improve-your-classroom-discussions1704.html) – Learners think of ways that the government could influence the supply-side of the economy.  From feedback, create a table, showing method and explanation. |  |
| AD/AS analysis of the impact of supply-side policy on the equilibrium national income and the level of real output, the price level and employment | Explain, using one example, how the use of a supply-side policy affects income, output, and employment. Do this using AD/AS diagram.  Learners draw the AD/AS. Diagram and explanation. | Practise of AD/AS diagrams and resulting impact on income, output and employment is important for candidates to do well in the examination. |
| **Past and specimen papers** | | | |
| Past/specimen papers and mark schemes are available to download from the [School Support Hub](http://www.cambridgeinternational.org/support) (F) | | | |

# 6. International economic issues (AS Level)

| **Syllabus ref. and Key Concepts (KC)** | **Suggested teaching activities** | **Teacher guidance and resources** |
| --- | --- | --- |
| **6.1 The reasons for international trade** | | |
| The distinction between absolute and comparative advantage.  Benefits of specialisation and free trade.  **KC1**  **KC2** | Recap the principle of opportunity cost from the first AS unit. Then ask learners why they think international trade takes place and list the main reasons on the board.  Watch the video on Tutor2u.  Hand out a pre-prepared worksheet with numerical questions on absolute and comparative advantage similar to the ones in the video.  Work through one example with class. **(I)(F)**  Conclude with a class discussion whereby learners identify goods from their country that might have a comparative advantage, and explain why.  Conclude with a class discussion whereby learners identify goods from their country that might have a comparative advantage, and explain why. | This is a good place to show learners how to use production possibility curves to show the gains from trade.  [www.tutor2u.net/economics/revision-notes/a2-macro-pattern-international-trade.html](http://www.tutor2u.net/economics/revision-notes/a2-macro-pattern-international-trade.html)  Questions should require learners to:   * determine which country should specialise in which product * explain the effect on total output after specialisation * show how relative opportunity costs can be used to determine an exchange rate that will acceptable to both countries * show that there will be a net increase in world output after specialisation and exchange. |
| Exports, imports and the terms of trade:   * Measurement of the terms of trade | Give the class a:   * definition of the terms of trade * formula to measure the terms of trade using price indices.   Hand out a pre-prepared worksheet with questions requiring learners to calculate the terms of trade over a particular time period. | If necessary, recap here the meaning of index numbers and show how to use them to calculate percentage changes.  The terms of trade is one of the most commonly misunderstood parts of the AS Level syllabus and is frequently confused with the balance of trade. |
| Causes of changes in the terms of trade | Hand out a prepared worksheet containing a list of factors, some of which affect the value of the terms of trade, some of which don’t.  Learners:   * decide which factors will impact on the terms of trade and which factors will not * provide supporting explanations for their choices.   Follow with a class question and answer session so learners can explain and discuss their choices. Summarise the discussion and produce a definitive list of relevant factors on the board. |  |
| Impact of changes in the terms of trade | Hand out a case study based on a country’s changing terms of trade, together with some questions for learners to answer.  Learners research the required information to answer the questions.  Follow with a class discussion to correct any errors.  In groups, learners:   * research their own or another allocated country’s changes in the terms of trade over the last twenty years * determine whether they have improved or deteriorated over this period and whether they have been volatile or stable * assess the implications for the future development of their given economy   Give a presentation to the class on their findings. | It would be useful here to develop a pro-forma which you can use to give structured feedback to each group on their research and presentation.  [www.economicsonline.co.uk/Global\_economics/Policies\_to\_promote\_development.html](http://www.economicsonline.co.uk/Global_economics/Policies_to_promote_development.html)  [www.businesseconomics.com/country-data.html](http://www.businesseconomics.com/country-data.html) |
| Limitations of the theories of absolute and comparative advantage | [Think-Pair-Share](https://www.wgu.edu/heyteach/article/how-think-pair-share-activity-can-improve-your-classroom-discussions1704.html) –Learners put the theories into real life situation. Direct them to consider what is not realistic about the model.  Draw a spider diagram on board, and learners copy into their notes. | This activity may need some structuring by the teacher to prompt learners into thinking. |
| **6.2 Protectionism** | | |
| Meaning of protectionism | Discuss why governments might intervene in international trade.  Matching Game. Learners match key term (reason) to brief explanation:   * safeguard employment * address a balance of payments deficit * prevent exploitation of cheap labour * prevent ‘dumping’ of cheap goods to destabilise competition * safeguard fledgling industries.   Check answers. | Ensure learners can clearly define the term ‘protectionism’.  [www.tutor2u.net/economics/revision-notes/as-macro-international-trade.html](http://www.tutor2u.net/economics/revision-notes/as-macro-international-trade.html)  [www.economicsonline.co.uk/Global\_economics/Trade\_protectionism.html](http://www.economicsonline.co.uk/Global_economics/Trade_protectionism.html) |
| Tools of protectionism and their impact | Identify the key methods of protectionism -spider diagram/ list on board.  Learners watch the presentation on trade and protectionism on the Tutor2U website and take notes.  Learners write the impact of each method in solving (e.g.) a balance of payments deficit in their own country | The key methods of protectionism to cover are:   * + tariffs   + import quotas   + export subsidies   + embargoes   + excessive administrative burdens (‘red tape’).   [www.tutor2u.net/economics/reference/protectionism](https://www.tutor2u.net/economics/reference/protectionism) |
| Arguments for and against protectionism | Start with a class debate in which groups use the information prepared in the previous activity to argue the case for and against protectionism.  Follow with a class discussion to ensure the key points for and against protectionism have been covered.  Then learners write a report on the relative importance of the identified arguments for protectionism in relation to their own country’s economy. | For the debate, allocate the groups a different side to argue for.  Give learners headings and a word limit to write their report to and make sure they focus on each of the reasons and methods covered in the previous two activities. Also emphasise that the reports should be concisely written and supported with evidence.  [www.tutor2u.net/economics/revision-notes/a2-macro-protectionism.html](http://www.tutor2u.net/economics/revision-notes/a2-macro-protectionism.html) |
| Progress check – protectionism | Consolidate learning of this topic by setting a question which includes protectionism from a Paper 2 pre 2023 as a timed class test. | You could precede this with a short pre-prepared class quiz on protectionism to ensure learners grasp the key points.  Cambridge specimen papers and accompanying mark schemes are available at [www.cambridgeinternational.org/support](http://www.cambridgeinternational.org/support) |
| **6.3 Current account of the balance of payments** | | |
| Components of the current account. | Give learners a copy of their own current account and a set of questions relating to these accounts.  Learners individually or in groups research and write down answers. The questions should include:   * What constitutes goods? * What constitutes services trade? * How do changes in these affect the balance on the current account?   Go through the answers and lead a discussion on the findings. | [www.businesseconomics.com/country-data.html](http://www.businesseconomics.com/country-data.html) |
| Calculation of components of current account | Produce a worksheet with calculation questions. Tutor2u.net has an example of a calculation. This could take the form of a table to complete. | [www.tutor2u.net/economics/reference/current-account-of-the-balance-of-payments](https://www.tutor2u.net/economics/reference/current-account-of-the-balance-of-payments)  Calculations can be practised by using multiple-choice questions from past papers. |
| Causes of imbalances in the current account | Learners research the causes of imbalances for each component in the current account using source material from textbooks and the web links provided, making notes on the explanations they find.  Class discusses to review learners’ findings, summarising the key factors on the board. Move the focus of the discussion to look at the current account situation in the learners’ own country and encourage them to discuss possible causes.  In pairs:   * one learner states a cause of an imbalance on the current account * the other explains which part of the account would be affected and why * at the end of the exercise, they discuss answers and review any that were incorrect. | Remind learners that an imbalance can cause a surplus as well as a deficit.  [www.economicshelp.org/blog/185/economics/balance-of-payments-disequilibrium](http://www.economicshelp.org/blog/185/economics/balance-of-payments-disequilibrium)  [www.businesseconomics.com/country-data.html](http://www.businesseconomics.com/country-data.html) |
| Consequences of imbalances in the current account for the domestic and external economy. | Put two partially completed mind maps on the board:   * one linking a current account imbalance to variables relating to the *domestic* economy, e.g., economic growth and unemployment * the other linking the imbalance to variables relating to the *external* economy, e.g., exchange rate and foreign reserves).   Learners, in pairs, complete the missing links on each mind map.  Hand out an up-to-date newspaper article commenting on the consequences of a continuing imbalance of the current account.   * read the article individually * work in groups to produce a set of data response questions based on the article * exchange these with another group and attempt to answer each other’s questions.   Summarise the key consequences with the class afterwards.  Reinforce learning by setting Question 1d from Specimen Paper 2 (2023) and/ or Question 5a from the same paper. Learners mark each other’s work using the mark scheme. | Use this opportunity to remind learners of the benefits of mind maps, e.g.:   * a good revision tool * creative thinking and working * consolidating skills through ‘learning by doing’.   Encouraging learners to look at past papers (pre 2023) and structure their own questions in the same way as the data response questions is a useful way of developing exam skills and subject confidence.  [www.economicsonline.co.uk/Global\_economics/The\_balance\_of\_payments.html](http://www.economicsonline.co.uk/Global_economics/The_balance_of_payments.html)  [www.economicshelp.org/blog/5776/trade/uk-balance-of-payments](http://www.economicshelp.org/blog/5776/trade/uk-balance-of-payments)  [www.businesseconomics.com/country-data.html](http://www.businesseconomics.com/country-data.html) |
| Progress check – balance of payments | To consolidate learning on balance of payments, set learners a selection of questions about the balance of payments accounts from past papers (pre 2023). | Choose an appropriate range of multiple choice (Paper 1) and data response/essay (Paper 2) questions to help learners develop their exam skills. |
| **6.4 Exchange rates** | | |
| Definition of exchange rate. | Explain that exchange rate is the price of a currency in terms of another currency. | [www.tutor2u.net/economics/revision-notes/a2-macro-exchange-rate.html](http://www.tutor2u.net/economics/revision-notes/a2-macro-exchange-rate.html) |
| Determination of exchange rates.  **KC3** | Explain that in a free market the exchange rate is determined by market forces. Therefore, the equilibrium exchange rate is determined by supply and demand in the same way as a commodity and occurs when demand and supply equate.  Hand out pre-prepared data tables showing amounts of a currency supplied/demanded at different prices. Learners:   * plot graphs of supply and demand for the currency * identify the equilibrium price (exchange rate). **(I)**   Follow with a class discussion on the concept of a floating exchange rate. To ensure full understanding, learners give examples of factors which might shift the supply/demand for currency in a floating rate system. | Stress that the exchange rate between two currencies will have a tendency not to change when there is equilibrium between them.  The Business Economics link is one good starting point for economic data on a range of countries.  [www.tutor2u.net/economics/revision-notes/a2-macro-exchange-rate.html](http://www.tutor2u.net/economics/revision-notes/a2-macro-exchange-rate.html) |
| Distinction between depreciation and appreciation of a floating exchange rate | Give the class definitions of appreciation and depreciation.  Give learners a list of factors which might shift the supply/ demand curves for currency. In each case, the learner writes down:   * which curve will be affected by the change in the given factor * the direction in which the shift occurs * whether this will lead to appreciation or depreciation. **(F)(I)**   It is important to emphasise that the depreciation/ appreciation of a currency relates only to floating exchange rate regimens where changes are driven by market forces. | Ensure that learners understand the terms and how they occur. |
| Causes of changes in a floating exchange rate: demand and supply of the currency | Learners consider what factors would affect the demand for a currency and the supply of a currency.  From feedback, list factors on the board. Give explanation.  Learners draw a D&S diagram, to show the changes in the factors e.g., Show the effect of an increase in interest rates. | **Note:** This is market demand and supply diagram.  For the graph work, remind learners:   * a movement along the curve is caused by a change in the price of currency (exchange rate) * a movement of the whole curve is caused by changes in other factors, such as interest rates. |
| AD/AS analysis of the impact of exchange rate changes on the domestic economy’s equilibrium national income and the level of real output, the price level and employment.  **KC3** | Give learners a worksheet (or write questions on board) with different scenarios (causes of changes in demand and/or supply of currency).  Learners show the effect of this on an AD/AS diagram, with the explanation. | Practice of drawing AD/AS diagrams is good for examinations. |
| **6.5 Policies to correct imbalances in the current account of the balance of payments.** | | |
| Government policy objective of stability of the current account | [Think-Pair-Share](https://www.wgu.edu/heyteach/article/how-think-pair-share-activity-can-improve-your-classroom-discussions1704.html) – ‘Why do governments aim for stability on current account?’  Write feedback on board. |  |
| Effect of fiscal, monetary, supply-side and Protectionist policies on the current account.  **KC6** | Divide the class into six groups as follows:   * The first three groups are allocated one of the three policies (fiscal, supply side, monetary) each and work out how it could be used to solve an imbalance on the current account. * the remaining groups are also allocated one of the three policies each, and they evaluate the proposed policy developed by their partner group.   Finish by summarising the results and show how the work of the two sets of groups (analysis and evaluation) links together as the two key components of policy development and improvement. | For the group task, give each group the same imbalance of current account background information to make the end comparison easier.  Stress in the final discussion that the first set of groups *analysed* the issue (looked at how variables can be used to predict different outcomes and so develop a policy) and the second set *evaluated* that policy (reached a conclusion or judgement on its effectiveness based on supporting evidence).  [www.tutor2u.net/economics/revision-notes/as-macro-balance-of-payments.html](http://www.tutor2u.net/economics/revision-notes/as-macro-balance-of-payments.html) |
| **Past and specimen papers** | | | |
| Past/specimen papers and mark schemes are available to download from the [School Support Hub](http://www.cambridgeinternational.org/support) (F) | | | |

# 7. The price system and the macroeconomy (A Level)

| **Syllabus ref. and Key Concepts (KC)** | **Suggested teaching activities** | | | **Teacher guidance and resources** |
| --- | --- | --- | --- | --- |
| **7.1 Utility** | | | | |
| Definition and calculation of total utility and marginal utility  **KC2** | Start the lesson by introducing and defining utility.  Produce a worksheet with calculation questions on both total and marginal. A table for learners to complete would be a good way of doing this. | | |  |
| Equi-marginal principle  **KC1** | Learners individually or in pairs research and produce a short report or on what is meant by the ‘equi-marginal principle’ and how it is linked to the derivation of a market demand curve.  Go through with the class. | | | It is important to emphasise that the aim of rational consumers is to maximise their utility or satisfaction, given a limited income, a given set of prices and constant tastes and preferences. The equi-marginal principle shows the relationship between marginal utility and price for a number of different products, and learners need to understand the implications of any changes in the prices of the products and the significance of the Marginal-Utility-to-Price Ratio MU/P formula. |
| Derivation of an individual demand curve  **KC1** | In pairs or groups, learners identify and discuss different examples of where marginal utility or satisfaction may decline as more units of a good are consumed – ice-cream, hamburgers or bars of chocolate are good starting examples.  To ensure learners understand the link between marginal utility and the derivation of a market demand curve, set a written task to distinguish between total utility and marginal utility. This can be based on questions to build up understanding; or Question 3a from Paper 4 Nov 2019.  Learners assess their answers to further strengthen learning. | | | The shape of a normal demand curve can be explained by the law of diminishing marginal utility because the marginal utility curve for a product is the same as its demand curve, measured in money terms.  [www.tutor2u.net/economics/revision-notes/as-markets-demand.html](http://www.tutor2u.net/economics/revision-notes/as-markets-demand.html) |
| Limitations of marginal utility theory and its assumptions of rational behaviour | In pairs or groups, learners look at how realistic the idea of rational consumer behaviour is. Learners think of potential limitations to marginal utility theory and to identify alternative behavioural reasons behind buying decisions, e.g., peer group pressure in the purchase of branded products, developing their ideas into a short presentation.  Each group gives their presentation to the class and answers questions to share and consolidate learning. | | | This is a new topic, and it recognises that advertising and marketing can help bring about significant changes in consumer tastes and preferences.  Emphasise that the law of diminishing marginal utility does have a number of limitations, such as the assumption that satisfaction can be easily measured, or consumers always act in a rational way. Explain this is why the idea of rational behaviour by consumers is challenged by behavioural economic models. |
| **7.2 Indifference curves and budget lines** | | | |  |
| Meaning of an indifference curve and a budget line | Introduce the concept using the video from tutor2u.net.  Learners make notes.  Discuss notes and main points from the video. | | | [www.tutor2u.net/economics/reference/indifference-curves-and-consumer-equilibrium](https://www.tutor2u.net/economics/reference/indifference-curves-and-consumer-equilibrium) |
| Causes of a shift in the budget line | [Think-Pair-Share](https://www.wgu.edu/heyteach/article/how-think-pair-share-activity-can-improve-your-classroom-discussions1704.html) – Show learners a diagram with shifts in the budget line. Ask learners what would cause the shifts. | | |  |
| Income, substitution and price effects for normal, inferior and Giffen goods  **KC1**  **KC2** | Explain the income and substitution effects of price changes of various types of goods. Learners watch the video (above)  Consolidate understanding by setting the following as a class test or homework:   * short questions requiring learners to redraw budget curves and describe the income substitution and price effects resulting from given changes * an exam-style question to apply this knowledge, such as “Explain whether demand schedules and budget lines are similar in the way that they represent the effect of (i) a rise in the price of a good and (ii) a rise in a consumer’s income”. | | | Introduce indifference curves and budget lines.  Economicshelp.org have good notes.  Learners self- or peer-assess their answers to further strengthen learning. |
| Limitations of the model of indifference curves | [Think-Pair-Share](https://www.wgu.edu/heyteach/article/how-think-pair-share-activity-can-improve-your-classroom-discussions1704.html) – Learners consider the limitations.  Write responses on board. | | |  |
| Progress check – law of diminishing marginal utility, indifference curves and budget lines | To consolidate learning of this topic, set Question 4a from Paper 41 Nov 2019 as a class test or homework. **(I)(F)** | | | This gives learners the opportunity to demonstrate their understanding of marginal utility and equi-marginal utility, as well as indifference curves. |
| **7.3 Efficiency and market failure** | | | |  |
| Definitions of Productive and allocative efficiency  **KC5**  Conditions for productive and allocative efficiency | Introduce the concepts of productive and allocative efficiency using the videos in the supplied website link.  Consolidate understanding by setting questions to encourage learners to think about the different types of efficiency and help them understand the key concept of equilibrium and efficiency.  Reinforce learning by putting learners into pairs to peer assess each other’s responses.  Each pair shares its ideas with the class. | | | Allocative efficiency occurs where price is equivalent to marginal cost (P=MC).  Productive efficiency can be shown through a firm’s average cost curves or through a production possibility curve.  Include questions which enable learners to use production possibility curves. Stress the distinction between a position *within* the curve and a position *on* the curve – any position *on* the curve will show a situation of productive efficiency.  [www.tutor2u.net/economics/revision-notes/as-marketfailure-economic-efficiency.html](http://www.tutor2u.net/economics/revision-notes/as-marketfailure-economic-efficiency.html) |
| Progress check – productive and allocative efficiency | To help reinforce learning, set multiple choice questions from past papers pre 2023 | | | This progress check also provides a value opportunity to formatively assess learner progress at the start of the A Level year. |
| Pareto optimality  **KC5** | Introduce the theory of Pareto optimality. As the name indicates, Pareto efficiency/optimality is another example of efficiency.  To develop learners’ understanding of how this idea relates to the concept of economic efficiency, put them into groups and give them a real context together with the relevant background. The groups discuss Pareto optimality in this context and on conclusion share their ideas with the class. | | | Also known as Pareto efficiency, this idea was first put forward by Vilfredo Pareto in 1909. It is based on the existence of a situation when it is not possible to reallocate resources to make someone better off without making someone else worse off.  [www.tutor2u.net/economics/revision-notes/as-marketfailure-economic-efficiency.html](http://www.tutor2u.net/economics/revision-notes/as-marketfailure-economic-efficiency.html) |
| Definition of  Dynamic efficiency | Explain that dynamic efficiency is concerned with improving the efficient allocation of resources over a period of time.  Think, Pair and Share: come up with ideas on how efficiency could be improved over a period of time in various aspects of production.  Give each group a different example to focus on, such as:   * new/improved methods of production * invention/innovation, research and development and new/improved products * new/improved methods of management * investment in human capital to improve productivity levels. | | | Dynamic efficiency is an important part of the concept of efficiency. By focusing on the efficiency of the allocation of resources over a period of time, it contrasts to the static efficiency measures of productive efficiency and allocative efficiency.  [www.tutor2u.net/economics/revision-notes/as-marketfailure-economic-efficiency.html](http://www.tutor2u.net/economics/revision-notes/as-marketfailure-economic-efficiency.html) |
| Definition of market failure  **KC6** | Learners write a paragraph to explain how markets allocate scarce resources.  [Think-Pair-Share](https://www.wgu.edu/heyteach/article/how-think-pair-share-activity-can-improve-your-classroom-discussions1704.html) – Learners consider situations when the free market doesn’t allocate scarce resources. Consolidate by explaining that this is market failure. | | | This is revision from AS Level.  Market failure occurs when the market system fails to allocate an efficient allocation of resources. |
| Reasons for market failure  **KC5** | Explain how the free market fails to deliver an efficient allocation of resources. Learners identify sources of market failure from AS course.  The reasons for such failure include:   * under-consumption of merit goods * over-consumption of demerit goods * non-provision of public goods   Then introduce the other situations of market failure to be covered in the A Level examination. | | | [www.tutor2u.net/economics/revision-notes/as-marketfailure-market-failure.html](http://www.tutor2u.net/economics/revision-notes/as-marketfailure-market-failure.html) |
| Progress check – reasons for market failure | To consolidate learning, set MCQs from paper (pre 2023) as a class or homework assignment.  As some learners can find market failure quite a dry topic, consider the two revision quizzes on the Tutor2U website as a useful additional way of recapping this topic. | | | Give learners as much opportunity as possible to answer exam-style questions and past questions as the A Level year progresses.  The two quizzes provide a more informal way for learners to test their understanding of this topic.  [www.tutor2u.net/economics/quizzes/as/marketfailure1/quiz.html](http://www.tutor2u.net/economics/quizzes/as/marketfailure1/quiz.html)  [www.tutor2u.net/economics/quizzes/as/marketfailure2/quiz.html](http://www.tutor2u.net/economics/quizzes/as/marketfailure2/quiz.html) |
| **7.4 Private costs and benefits, externalities and social costs and benefits** | | | |  |
| Definition and calculation of social costs (SC) as the sum of private costs (PC) and external costs (EC), including marginal social costs (MSC), marginal private costs (MPC) and marginal external costs (MEC).  **KC3**  **KC5** | Give learners the opportunity to think about the concept of social costs in a variety of different contexts so they understand how to apply it to real-world situations.  To develop this further, learners focus on a specific context and questions on the social costs generated by e-waste. Learners work together to look at the market failure, private costs, external costs and alternative ways to deal with the e-waste.  In groups, learners are allocated a particular project in their country, such as the building of a road or bridge, the construction of an additional runway at an airport or the construction of a new railway line. Learners list the private costs and the external costs of that project and use this to consider the resulting social costs. | | | It is important to emphasise that social costs are the sum of private costs and external costs, and that external costs are therefore only one part of social costs.  You may structure the first group task as a peer mentoring exercise where learners work together to discuss appropriate examples.  The second group task enables learners to appreciate the significance of social costs in relation to real-world examples in their own country.  [www.tutor2u.net/economics/revision-notes/as-marketfailure-negative-externalities.html](http://www.tutor2u.net/economics/revision-notes/as-marketfailure-negative-externalities.html)  [www.s-cool.co.uk/a-level/economics/ market-failure/revise-it/externalities](http://www.s-cool.co.uk/a-level/economics/market-failure/revise-it/externalities) |
| Definition and calculation of social benefits (SB) as the sum of private benefits (PB) and external benefits (EB), including marginal social benefits (MSB), marginal private benefits (MPB) and marginal external benefits (MEB) | As a follow-on from the previous activity, each group lists the private and external benefits of the project they have been looking at and use this to consider the resulting social benefits.  Each group feeds back its findings to the class as the basis for wider discussion and consolidation. | | | Stress that social benefits are the sum of private benefits and external benefits, and that external benefits are therefore only one part of social benefits.  As with the previous activity, this task enables learners to appreciate the significance of social benefits in relation to real-world examples from their own country.  [www.tutor2u.net/economics/revision-notes/as-marketfailure-positive-externalities.html](http://www.tutor2u.net/economics/revision-notes/as-marketfailure-positive-externalities.html)  [www.s-cool.co.uk/a-level/economics/ market-failure/revise-it/externalities](http://www.s-cool.co.uk/a-level/economics/market-failure/revise-it/externalities) |
| Definition of positive externality and negative externality  Definition and calculation of social benefits (SB) as the sum of private benefits (PB) and external benefits (EB), including marginal social benefits (MSB), marginal private benefits (MPB) and marginal external benefits (MEB) | Explain the concepts of each type of externality using diagram notes.  Learners give examples of real-life externalities from given markets: e.g., Smoking, congestion, pollution in manufacturing, vaccinations.  Revision videos by Tutor2u could be used. learners take notes/ set questions related to video.  **Note:** Do each type of externality one at a time. | | | An externality arises if a third party is affected by the actions and behaviour of others, giving rise to a spill-over effect.  Stress that positive and negative externalities can exist both in relation to production (e.g., firms) and consumption (e.g., consumers).  [www.tutor2u.net/economics/revision-notes/as-marketfailure-positive-externalities.html](http://www.tutor2u.net/economics/revision-notes/as-marketfailure-positive-externalities.html)  [www.tutor2u.net/economics/revision-notes/as-marketfailure-negative-externalities.html](http://www.tutor2u.net/economics/revision-notes/as-marketfailure-negative-externalities.html) |
| Deadweight welfare losses arising from positive and negative externalities.  **KC3** | Show a diagram of negative externalities. Identify the area od deadweight loss. Explain what deadweight loss is. Learners draw the diagrams for the other forms of externalities and shade the area of deadweight loss. | | | This gives learners a chance to reproduce the externalities diagrams. |
| Asymmetric information and moral hazard | To explain this concept, use a case study such as the insurance market. Using Q&A, learners consider whether all parties have the same information and whether insurance encourages people to behave in a riskier manner. Can then apply to other situations. | | | Additional notes are found here:  [www.tutor2u.net/economics/reference/information-economics-moral-hazard-and-adverse-selection](https://www.tutor2u.net/economics/reference/information-economics-moral-hazard-and-adverse-selection) |
| Progress check – positive and negative externalities | To consolidate learning of positive and negative externalities, set question 2 from Specimen Paper 4 (2023) | | | This question gives learners the opportunity to use a diagram in analysis. |
| Use of cost-benefit analysis in decision-making | Give learners a context for a costs benefit analysis.  Learners, in pairs or groups, focus on a project in their own country such as:   * subsidies on biofuels * greater competition in markets, such as the postal service * the reduction of income and wealth inequality, such as through a minimum wage or an increase in the top rate of income tax * the introduction of carbon trading to reduce CO2 emissions * a major infrastructure project, such as building a new motorway * relaxing planning controls on the building of new houses * building a flood-relief scheme * constructing a new power station * producing genetically modified food.   Each group then researches the necessary information for their project and write a report on the extent to which cost-benefit analysis can be applied and what it implies. Learners report back to the class as the basis for wider discussion and consolidation.  Conclude by setting questions relating to cost-benefit analysis. **(I)**  Learners then peer-assess each other’s responses in pairs or small groups to share and consolidate learning. | | | Real project contexts are a highly effective way for learners to develop their knowledge and understanding of how cost-benefit analysis can be applied to economic decision-making.  An example from learners’ own country would be good. |
| Progress check – cost-benefit analysis | To consolidate learning of this topic, set the following questions as a class test or homework.   * Question 2 from Paper 41 Jun 2020 * Question 2 from Paper 42 Mar 2020 | | | Both of the questions provide the opportunity to assess learning from the whole topic. |
| **7.5 Types of cost, revenue and profit, short-run and long-run production** | | | | |
| Short-run production function: fixed and variable factors of production | | Class discussion and use the textbook and website references to help ensure that learners understand the difference between fixed and variable factors of production.  In pairs, learners answer questions you set on the distinction between fixed and variable factors of production. Learners self- or peer-assess their answers. | Stanlake G, Grant S J *Stanlake’s* *Introductory Economics* Longman, 2000 ch 37 is a useful source of questions for the group task.  [www.tutor2u.net/economics/revision-notes/as-marketfailure-productioncosts.html](http://www.tutor2u.net/economics/revision-notes/as-marketfailure-productioncosts.html) | |
| Definition and calculation of total product, average product and marginal product  **KC2** | | With the use of a numerical example, explain each type of product and it is calculated.  In the form of a table, learners fill in the table using calculations.  Learners plot their results on graph paper. | Make sure learners clearly understand the distinction between these different types of data, and that the marginal product curve cuts the average product curve at its highest point.  The marginal product refers to the additional output produced by employing another unit of a variable factor, such as an additional worker.  [www.tutor2u.net/economics/revision-notes/as-marketfailure-productioncosts.html](http://www.tutor2u.net/economics/revision-notes/as-marketfailure-productioncosts.html) | |
| Short-run production function – law of diminishing returns  **KC2** | | Class discussion and use the textbook and website references to help ensure that learners understand the law of diminishing returns.  To consolidate learning, set class or homework questions that require learners to:   * use and apply the law of diminishing returns * demonstrate the difference between diminishing marginal returns and diminishing average returns. | The law of diminishing returns is an important topic. Also known as the law of variable proportions or the law of diminishing marginal returns, it states that when additional units of a variable factor of production are added to a fixed factor of production, the additions to total output will begin to diminish. | |
| Short run cost function- calculation of fixed costs and variable costs | | [Think-Pair-Share](https://www.wgu.edu/heyteach/article/how-think-pair-share-activity-can-improve-your-classroom-discussions1704.html) – Learners consider the things a business has to pay for when running a business. Write responses the board. Now give definition of the two types of costs. Learners categorise each of the items on the list into fixed and variable. |  | |
| Definition and calculation of total, average and marginal costs (TC, AC, MC), including average total cost (ATC), total and average fixed costs (TFC, AFC) and total and average variable costs (TVC, AVC  **KC2** | | With the use of a numerical example, explain each type of product and it is calculated.  In the form of a table, learners fill in the table using calculations.  Learners to plot their results on graph paper.  With the graph, explain the shape of the SRAC and the marginal cost curves. | Stress that the shape of the average cost and marginal cost curves is determined by the law of diminishing returns.  Encourage learners to practise drawing and labelling diagrams in this topic as much as possible, as it is an important exam skill. | |
| Long run production function  **KC4** | | [Think-Pair-Share](https://www.wgu.edu/heyteach/article/how-think-pair-share-activity-can-improve-your-classroom-discussions1704.html) – Learners consider what will happen to output when all factors are variables.  Illustrate answers on a diagram showing the different returns to scale. |  | |
| Long-run cost function: the shape of the Long-Run Average Cost (LRAC) curve | | Lead a class discussion and use the textbook and website references to ensure that learners understand the meaning of the long-run cost function and can explain the shape of the Long-Run Average Cost (LRAC) curve.  Demonstrate on diagram the concept of minimum efficient scale.  Consolidate learning on the LRAC curve and the difference between this and the SRAC curve by setting questions for learners to answer individually or in pairs. | The long-run average cost curve is described as an ‘envelope curve’ because it is made up of the points of tangency of a number of short-run average cost curves along its length.  [www.tutor2u.net/economics/revision-notes/as-marketfailure-productioncosts.html](http://www.tutor2u.net/economics/revision-notes/as-marketfailure-productioncosts.html) | |
| Relationship between economies of scale and decreasing average costs  **KC4** | | Use data example in order for leaners to understand the concept of returns to scale and of the relationship between economies of scale and decreasing costs. Ensure that they also appreciate the distinctions between increasing returns to scale, constant returns to scale and decreasing returns to scale.  Consolidate learning by setting questions for learners to answer individually or in pairs. **(I)(F)** | Returns to scale indicates the relationship between the level of output by a firm and the quantity of inputs required to produce that output. Where the output can be increased using proportionately fewer inputs, as with increasing returns to scale, this will lead to decreasing costs of production.  Learners sometimes confuse returns to scale with economies of scale. The first refers to changes in output, whereas the second refers to changes in the average cost of production – e.g., one measures output and the other measures costs.  [www.tutor2u.net/economics/revision-notes/a2-micro-economies-diseconomies-of-scale.html](http://www.tutor2u.net/economics/revision-notes/a2-micro-economies-diseconomies-of-scale.html) | |
| Internal and external economies of scale and diseconomies of scale  **KC4**  **KC5** | | Introduce concept of economies of scale.  Using website or textbook learners identify types of economies of scale a firm can achieve.  Use case study examples where learners identify how firms have achieved lower costs as output increases.  Explain that sometimes that costs can rise (diseconomies of scale).  [Think-Pair-Share](https://www.wgu.edu/heyteach/article/how-think-pair-share-activity-can-improve-your-classroom-discussions1704.html)– why this might be the case. | Internal economies of scale are the cost advantages gained when a firm grows in size. External economies of scale are the cost advantages gained to all firms as a result of developments in an industry as a whole, outside of any one particular firm. Diseconomies are the cost disadvantages to all firms resulting from both these scenarios.  This link has case study examples of economies of scale.  [www.tutor2u.net/economics/blog?q=economies+of+scale](https://www.tutor2u.net/economics/blog?q=economies+of+scale) | |
| Progress check – short-run and long-run production function | | To consolidate learning of this topic multiple-choice questions from past papers | This will reinforce understanding of the key short- and long-run components and their distinctions. | |
| Revenue: total, average and marginal  **KC2** | | Define the terms. Give a numerical example (table) which learners complete to calculate the revenues.  As these three concepts are commonly confused, consolidate learning by setting questions requiring learners to distinguish between these three types of revenue. | Total revenue is the total amount of money received from the sales of a product. Average revenue is the total revenue obtained from the sales divided by the number of units of the product sold. Marginal revenue is the extra revenue obtained from the sale of an additional unit of a product.  The importance of the concept of the margin is again brought into focus here – stress the importance of the margin wherever possible in your teaching.  [www.tutor2u.net/economics/revision-notes/a2-micro-business-revenues.html](http://www.tutor2u.net/economics/revision-notes/a2-micro-business-revenues.html) | |
| Profit – normal and abnormal (supernormal)  **KC4** | | Teacher led explanation.  Consolidate learning by setting questions requiring learners to:   * apply their understanding of profit to a particular industry * demonstrate their understanding of the difference between normal and abnormal (supernormal) profit. | Tutor2U has presentation to help explanation  Stress the distinction here between normal profit and abnormal profit:   * profit is the difference between total revenue and total costs * normal profit refers to that level of profit that a firm requires to keep operating in a particular industry * abnormal or supernormal profit is the level of profit that is over and above normal profit.   [www.tutor2u.net/economics/revision-notes/a2-micro-profits.html](http://www.tutor2u.net/economics/revision-notes/a2-micro-profits.html)  [www.s-cool.co.uk/a-level/economics/ costs-and-revenues/revise-it/profit](http://www.s-cool.co.uk/a-level/economics/costs-and-revenues/revise-it/profit) | |
| **7.6 Different market structures** | | | | |
| Perfect competition and imperfect competition: | | Use a diagram to illustrate the spectrum of competition. On the spectrum, put points to show: monopoly, monopolistic competition, oligopoly, natural monopoly |  | |
| The structure of markets as explained by number of buyers and sellers, nature of product, degree of freedom of entry and the nature of information | | Explaining to the class that markets can structured by a number of different factors, e.g., the:   * number of buyers and sellers in the market * nature of the product * degree of freedom of entry into, and exit from, the market * nature of information.   Learners categorise markets in their own country by the above features. | In the class discussion, it is important that learners understand how different market structures can be distinguished through a range of different features. | |
| Barriers to entry and exit. | | Provide learners with a case studies of monopoly or oligopoly business in their country.  Learners consider how these businesses maintain their high levels of profit.  Identify the barriers to entry.  Give learners a worksheet to match up definitions of barriers to their explanation. | Matching terms to explanations if a quick way of moving through straightforward theory.  A PowerPoint can be used and learners copy the information (if photocopying is not available). | |
| Concentration ratio | | In pairs or groups, give each group a different industry. Learners research the concentration ratios for their particular industry and prepare a presentation for the class on what they discover.  After the presentations, have a class discussion and feedback to compare and contrast the findings of each industry looked at.  Follow this up with a more detailed look at a suitable case study on a particular industry. | Ensure here that learners understand:   * what is meant by the concentration ratio of a certain number of firms in one industry compared to another * this concentration ratio will be a good indication of the degree to which the industry is close to the oligopoly or monopoly market structure. | |
| Perfect competition  **KC5** | | Give key features of market structure.  Explain, with the aid of drawing diagrams on the board the different equilibrium positions, both short run and long run.  Learners explain/ consider why a perfectly competitive firm can only achieve abnormal profits in short run.  Set questions to help learners develop their understanding of this important distinction. **(I)(F)** | It is very important that learners know how to draw accurate and clearly labelled diagrams for this topic.  [www.tutor2u.net/economics/revision-notes/a2-micro-perfect-competition.html](http://www.tutor2u.net/economics/revision-notes/a2-micro-perfect-competition.html)  Set questions which require learners to practice drawing and labelling these diagrams accurately. **(I)** | |
| Imperfect competition – monopoly  **KC4**  **KC5** | | Learners individually or in pairs research some examples of monopoly in their own country. They share their findings with the class.  Give diagram. Learners consider why the monopolist can earn abnormal profits (barriers to entry).  Consolidate learning by setting questions on monopolies and the contrast between perfect competition and monopoly.  **Extension activity:** to add further challenge and stretch learners, include questions requiring learners to contrast perfect competition and monopoly. | It is important to emphasise how monopoly is distinct and differs from perfect competition. These are at the two opposite extremes of possible market structures, and it is important that learners understand the key differences.  The website links provided are a useful starting point for the initial research task.  [www.tutor2u.net/economics/revision-notes/a2-micro-monopoly.html](http://www.tutor2u.net/economics/revision-notes/a2-micro-monopoly.html)  [www.s-cool.co.uk/a-level/economics/market-structure-1/revise-it/monopoly](http://www.s-cool.co.uk/a-level/economics/market-structure-1/revise-it/monopoly)  [www.s-cool.co.uk/a-level/economics/market-structure-1/revise-it/the-costs-and-benefits-of-monopoly](http://www.s-cool.co.uk/a-level/economics/market-structure-1/revise-it/the-costs-and-benefits-of-monopoly) | |
| Imperfect competition – monopolistic competition | | Using the suggested internet links, learners identify and discuss examples of monopolistic competition in their own country.  Each group/pair feeds back to the class. Ensure in this discussion that learners can identify which elements of monopolistic competition are similar to the situation in perfect competition and which more closely resemble the situation in a monopoly.  Consolidate learning by setting questions to ensure learners understand the key features of monopolistic competition and appreciate how it is distinguishable from other types of market structure. **(I)**  Learners self or peer-assess their answers. | Monopolistic competition combines elements of both perfect competition and monopoly.  Ensure that learners know how to use the terms ‘monopoly’ and ‘monopolistic competition’ correctly and how to make it clear which type of market structure they are referring to with each.  [www.s-cool.co.uk/a-level/economics/market-structure-2/revise-it/monopolistic-competition](http://www.s-cool.co.uk/a-level/economics/market-structure-2/revise-it/monopolistic-competition) | |
| Imperfect competition – oligopoly | | Learners individually or in groups research examples of oligopolies in their own or another specified country and identify what the key features of the market structure are.  Discuss findings as a class.  Consolidate learning by setting questions requiring learners to demonstrate their understanding of oligopoly in relation to a number of firms, such as newspaper publishers. | An oligopoly can be defined as an imperfect market consisting of a few large firms. It has a number of features that make it distinctive from other market structures, such as the concept of the kinked demand curve (see the *Other Objectives of a Firm* below for more teaching content on this).  Ensure here that learners fully understand the interconnections of firms operating in an oligopolistic market structure, such as when there is a cartel arrangement.  [www.tutor2u.net/economics/revision-notes/a2-micro-oligopoly-overview.html](http://www.tutor2u.net/economics/revision-notes/a2-micro-oligopoly-overview.html)  [www.s-cool.co.uk/a-level/economics/market-structure-2/revise-it/oligopoly](http://www.s-cool.co.uk/a-level/economics/market-structure-2/revise-it/oligopoly) | |
| Imperfect competition – natural monopoly | | Give groups of learners an industry that operates through natural monopoly (e.g., water supply companies). Groups research their allocated industry and identify the potential advantages of the natural monopoly that operates.  Each group reports its findings to the class. Use this as the basis for a wider class discussion on natural monopolies to ensure learners understand that they exist when the advantages of such a monopoly are likely to be greater than the disadvantages, such the reduction in costs by not duplicating expensive infrastructure.  As a follow-up, put learners back into their groups to find out if there are any examples of a natural monopoly in their own country, and what the underlying advantages and disadvantages are. | A natural monopoly will occur where there are potentially large economies of scale to be gained by having just one firm in an industry. A wasteful duplication of resources can be avoided, leading to cost reductions.  This activity provides a good opportunity for peer mentoring where learners share, feedback and improve each other’s work. | |
| Contestable markets and their implications | | Watch video/ presentation on Contestable Markets. Follow with:  Class discussion to help ensure that learners understand contestable markets. In particular, ensure learners focus on:   * what is likely to influence entry into, and exit from, an industry * the factors that make a market more or less contestable.   To consolidate learning, provide a case study of a market within own country. Learners consider the extent to which this market is a contestable market. **(F)** | It is important to emphasise that the key aspect of contestable markets is not the entry of firms into an industry, but the threat of such an entry.  [www.tutor2u.net/economics/revision-notes/a2-micro-contestable-markets.html](http://www.tutor2u.net/economics/revision-notes/a2-micro-contestable-markets.html)  [www.s-cool.co.uk/a-level/economics/market-structure-2/revise-it/contestable-markets](http://www.s-cool.co.uk/a-level/economics/market-structure-2/revise-it/contestable-markets) | |
| Comparisons of performance of firms | | To help learners understand how to compare the performance of different firms, in pairs or groups learners research the following nine methods:   * revenue * output * profits * efficiency and x-inefficiency in the short run and long run * barriers to entry and exit * price competition * non-price competition * collusion.   Each group produces a One-Page profile which shows how the performance of firms can be compared by these methods. Use this as the basis for a class discussion on these methods to consolidate learning. | X-inefficiency occurs when a firm has little incentive to control costs due to a lack of competitive pressure. | |
| Collusion and Prisoner’s Dilema | | Begin with a class session on the variety of behavioural analysis approaches to decision-making in a firm. Then to enable learners to apply this understanding, introduce the following tasks one at a time.  Start with the Prisoner’s Dilemma approach:   * give each learner appropriate background information on a different business and ask them to individually take decisions about what would be best for their business without knowing what anybody else’s business is planning **(I)** * then learners share their individual strategies and work in pairs or groups to rethink now they know the plans of other businesses and decide whether to change their plans in coordination with others. * a class discussion.   Then move on to look at the Two-player Pay-off Matrix approach:   * put learners into pairs and tell them each person is representing one firm in a given industry (e.g., the industry is a duopoly) * tell each learner that the firm they represent has two strategies: it can either raise the price of a product or leave it unchanged * learners then construct a matrix which shows the pay-offs that result from the interaction of strategies by the two firms.   Finally, look at the kinked demand curve in an oligopoly:   * hold a class discussion to ensure learners understand the nature of the kinked demand curve and the interdependence between firms that underlies it * consolidate learning on kinked demand curves by setting questions. **(I)(F)**   Conclude with a class discussion on behavioural approaches to decision making and set further questions on the different aspects. | The Prisoner’s Dilemma approach refers to a game where neither player knows the strategy of the other player. This is worse than if they had known the strategy of the other player as it means they cannot coordinate their strategies.  A Two-player Pay-off Matrix shows the outcomes of a game for the players given different possible strategies.  The kinked demand curve in oligopoly is an example of the interdependence between firms in an industry. The kink is caused by two assumptions:   * if a firm decides to increase its price, the other firms in the industry will not follow * if a firm decides to decrease its price, the other firms will follow.   This means the first assumption leads to price elastic demand, while the second leads to price inelastic demand.  One interesting aspect of the kinked demand theory, in terms of the margin, is that the marginal revenue curve is discontinuous. Stress this in your teaching of the kinked demand curve so learners understand why.  [www.tutor2u.net/economics/revision-notes/a2-micro-oligopoly-game-theory.html](http://www.tutor2u.net/economics/revision-notes/a2-micro-oligopoly-game-theory.html)  [www.tutor2u.net/economics/revision-notes/a2-micro-oligopoly-overview.html](http://www.tutor2u.net/economics/revision-notes/a2-micro-oligopoly-overview.html)  [www.s-cool.co.uk/a-level/economics/ market-structure-2/revise-it/the-kinked-demand-curve-model](http://www.s-cool.co.uk/a-level/economics/market-structure-2/revise-it/the-kinked-demand-curve-model) | |
| **7.7 Growth and survival of firms** | | | | |
| The reasons for different sized firms | | [Think-Pair-Share](https://www.wgu.edu/heyteach/article/how-think-pair-share-activity-can-improve-your-classroom-discussions1704.html)– Learners draw up a list of reasons why small firms continue to exist in an economy, focusing on examples from their own country.  Learners consider why some firms are large.  Invite someone who owns or works for a small firm to give the class a talk on why it continues to exist despite the possible advantages of large firms.  Set questions from Cambridge Past Paper as a class test or homework. | Ensure that learners understand why small firms continue to exist in an economy despite the potential advantages of large firms and can identify the possible reasons for this. | |
| Internal growth of firms: | | Ask learners to research examples of recent examples of internal growth from their own country. | Firms can grow internally and diversify by producing different products for different markets. | |
| External growth  Methods of integration | | Give definitions of types of integration using examples of business of international firms and national firms that have joint together. | Methods of integration: – horizontal – vertical (forwards and backwards) – conglomerate. | |
| Reasons for integration | | [Think-Pair-Share](https://www.wgu.edu/heyteach/article/how-think-pair-share-activity-can-improve-your-classroom-discussions1704.html) – Using the same examples in the above activity, learners consider possible reasons for integration. From feedback, write points on board. Learners write notes. |  | |
| Consequences of integration | | Mix and match. Give learners a list of mixed-up advantages and disadvantages of integration. Learners categorise whether they are advantages and disadvantages by putting them into a table with two columns. | The advantages and disadvantages can be put on a worksheet or displayed on a PowerPoint. | |
| Cartels | | Research activity. Learners to research OPEC. Direct learners to consider the conditions for the cartel to work and the consequences of a cartel on other producers and consumers.  Learners record their findings as a report to discuss in class. | Ensure that learners understand that a cartel is a group of firms which work together to limit output to keep prices higher than they would otherwise be.  Research activities can be set as a homework task. | |
| Principal–agent problem arising from differing objectives of shareholders/owners and managers | | Learners, in groups, focus on the implications that arise when ownership of a firm is divorced from control of the firm. Using the supplied internet links, each group identifies with examples the types of situations that could arise when there is a difference between what the principal might wish to see happen and what the agent actually does.  Each group feeds back its findings to the class and discuss the topic. | The principal agent problem is an important area for learners to focus on in relation to other objectives of a firm.  When ownership and control of a firm are divorced, the owners (the principal) can never be certain that the people managing the firm for them (the agent) are taking decisions (e.g. to maximise profits) the principal would have taken.  [www.tutor2u.net/economics/content/topics/buseconomics/principal\_agent.htm](http://www.tutor2u.net/economics/content/topics/buseconomics/principal_agent.htm)  [www.tutor2u.net/economics/revision-notes/a2-micro-divorce-ownership-control.html](http://www.tutor2u.net/economics/revision-notes/a2-micro-divorce-ownership-control.html) | |
| Progress check – growth and survival of firms | | To consolidate learning of this whole topic, set Question from a past paper (pre 2023) as a class test or homework. **(I)(F)** | Cambridge past papers (pre 2023) and accompanying mark schemes are available at [www.cambridgeinternational.org/support](http://www.cambridgeinternational.org/support) | |
| **7.8 Differing objectives and policies of firms** | | | | |
| Assessment of the effectiveness of fiscal, monetary and supply side policies to correct inflation and deflation  **KC2** | | To ensure learners appreciate that profit maximisation has traditionally been regarded as the main objective of a firm, divide the class into pairs or groups and each group produces a poster listing the main reasons why this is the case.  Use the posters for a class discussion on profit maximisation.  Consolidate learning of this topic by setting question from  Past paper: Paper 41 Nov 10 **(I)(F)** | You might also find it useful here to recap the teaching activities on normal and abnormal profit in the *Types of cost, revenue and profit,* section above.  The Tutor2U internet link provides one useful starting point for the initial group activity.  [www.tutor2u.net/economics/revision-notes/a2-micro-business-objectives.html](http://www.tutor2u.net/economics/revision-notes/a2-micro-business-objectives.html) | |
| The traditional profit maximising objective of a firm – relation between elasticity and revenue | | Recap elasticity. Learners, using diagrams, explain the relationship between elasticity and revenue.  Consolidate understanding by setting questions in relevant business contexts that require learners to link price, cross- and income elasticity of demand to possible increases in revenue. **(I)(F)** | Ensure here that learners fully understand the relationship between elasticity and revenue. | |
| Other objectives of a firm – survival, profit satisficing, sales maximisation, revenue of a business | | [Think-Pair-Share](https://www.wgu.edu/heyteach/article/how-think-pair-share-activity-can-improve-your-classroom-discussions1704.html)– Using examples of businesses in their country, learners consider the possible objective of each firm.  Choose examples that may include:   * a business that is currently battling for survival * a business that maybe growing (sales maximisation) * a PLC (satisficing) | Other objectives that a firm can have include:   * survival * strategic * satisficing * sales maximisation.   [www.tutor2u.net/economics/revision-notes/a2-micro-business-objectives.html](http://www.tutor2u.net/economics/revision-notes/a2-micro-business-objectives.html) | |
| Price discrimination | | [Think-Pair-Share](https://www.wgu.edu/heyteach/article/how-think-pair-share-activity-can-improve-your-classroom-discussions1704.html)– To help develop understanding of price discrimination, and learners think of examples from their own experience, e.g., mobile phone free texts, train/bus ticket prices at different times of the day or cinema tickets where adults and children are charged differently for the same seats.  Each group shares its examples with the class and how they work as a form of price discrimination.  Ensure learners focus here on the conditions that are required to allow for the existence of price discrimination in a market. To consolidate learning, set questions on price discrimination. **(I)(F)** | Price discrimination is where identical goods or services from the same provider are priced differently for different markets. It can be a particular feature of monopolistic or oligopolistic markets where firms are less vulnerable to competitive pricing.  The group activity provides a good opportunity for peer mentoring.  [www.tutor2u.net/economics/revision-notes/a2-micro-price-discrimination.html](http://www.tutor2u.net/economics/revision-notes/a2-micro-price-discrimination.html)  [www.s-cool.co.uk/a-level/economics/ market-structure-1/revise-it/price-discrimination](http://www.s-cool.co.uk/a-level/economics/market-structure-1/revise-it/price-discrimination) | |
| Other Pricing Policies: limit pricing.  Predatory Pricing  Price leadership | | Outline each type of pricing policy.  [Think-Pair-Share](https://www.wgu.edu/heyteach/article/how-think-pair-share-activity-can-improve-your-classroom-discussions1704.html)– Identify examples of each type of policy from own country.  Focus on oligopoly markets for examples. | * Limit pricing is where a firm deliberately sets a price that is low enough to deter new entrants from coming into a market. * Price leadership is where a price is set by a dominant firm in an industry and the other firms in the industry tend to follow this lead. | |
| Relationship between price elasticity of demand a firm’s revenue | | Give learners a worksheet with diagrams of a normal sloping demand curve and a kinked demand curve. Put numbers of the diagrams. Set questions for learners to calculate the firm’s revenue at different output levels.  Draw from the activity that different elasticities produce different revenues. |  | |
| **Past and specimen papers** | | | | | |
| Past/specimen papers and mark schemes are available to download from the [School Support Hub](http://www.cambridgeinternational.org/support) (F) | | | | | |

# 8. [Government microeconomic intervention (A Level)](#_Contents)

| **Syllabus ref. and Key Concepts (KC)** | **Suggested teaching activities** | **Teacher guidance and resources** |
| --- | --- | --- |
| **8.1 Government policies to achieve efficient resource allocation and correct market failure** | | |
| Specific and ad valorem tax  **KC2** | In pairs or groups, learners use the provided textbook and website links to:   * find examples of indirect taxes and subsidies in their country * discuss the effect of such intervention on prices, producing a brief collaborative report on their findings * use this to produce a wall chart setting out the key points and conclusions for the class to see.   Class discusses which each group presents its wall chart. Ensure all the key points are covered. | Learners need to appreciate that:   * indirect taxes and subsidies are policies to achieve efficient resource allocation and correct market failure * indirect taxes can discourage the consumption of certain products * the provision of subsidies can encourage the consumption of certain products.   [www.tutor2u.net/economics/revision-notes/as-marketfailure-indirect-taxation.html](http://www.tutor2u.net/economics/revision-notes/as-marketfailure-indirect-taxation.html)  [www.tutor2u.net/economics/revision-notes/as-marketfailure-producer-subsidies.html](http://www.tutor2u.net/economics/revision-notes/as-marketfailure-producer-subsidies.html) |
| Subsidies  **KC4**  **KC6** | In pairs or groups, learners use the provided textbook and website links to:   * + find examples of subsidies in their country   + discuss the effect of such intervention on prices (using diagram) producing a brief collaborative report on their findings.   Class discussion. Ensure all the key points are covered. | Learners need to appreciate that the provision of subsidies can encourage the consumption of certain products.  [www.tutor2u.net/economics/revision-notes/as-marketfailureindirect-taxation.html](http://www.tutor2u.net/economics/revision-notes/as-marketfailureindirect-taxation.html)  [www.tutor2u.net/economics/revision-notes/as-marketfailureproducer-subsidies.html](http://www.tutor2u.net/economics/revision-notes/as-marketfailureproducer-subsidies.html) |
| Prohibitions and licences | In pairs or groups, learners:   * find out information about examples of prohibitions and licences in their own country * consider the potential advantages and disadvantages of these types of government intervention in the economy * produce a collaborative report on the relative merits of this sort of government intervention.   Each group gives a brief presentation to the class as the basis for a wider discussion on the general impact on consumption. | To help learners get the most from this activity, give them guidance on where to obtain the information they need for the country and policies they are looking at. |
| Property rights  **KC6** | Allocate groups of learners a different type of property rights where the ownership and ability to earn income from that property improves the general good, such as:   * fishing rights * forestry or other land rights * national parks * intellectual property rights.   Each group then selects a case study example for their type of property right, preferably from their own country, and produces a written report on the benefits and costs, property rights confer on the owner and the users compared to common ownership. Write up findings and report back to class. | Owners of assets have a right to charge people who wish to make use of those assets. The examples suggested in the activity relate to private property rights, but remember there are also common property rights, e.g., in relation to air. |
| Information  **KC6** | Give groups of learners a different topic of interest to consumers, such as:   * healthy eating/safe medicines * pensions * cars * booking a holiday * choosing a school/university * internet/mobile phone/TV services.   Each group finds out:   * what sources of information are available in their own country (including but not limited to government and NGO websites) * how easy it was to find the information (e.g., how many steps, how much has the government had to intervene itself) * how the quality/impartiality of this information varies among the different sources * how much the information they found might increase both direct and indirect consumer activity.   Group prepare a short presentation for a wider class discussion on the impact that information has on consumer behaviour and activity in the economy, and when and why the government needs to intervene. | Information is important to achieving efficient resource allocation in an economy – a better-informed consumer is likely to be able to exercise more influence in an economy.  The Tutor2U website link is a good starting place for this activity. The other two links website links provided are for the UK, but each country is likely to have its own equivalent sites showing areas where the government has intervened in the provision of information to consumers.  [www.tutor2u.net/economics/revision-notes/as-marketfailure-imperfect-information.html](http://www.tutor2u.net/economics/revision-notes/as-marketfailure-imperfect-information.html)  [www.ons.gov.uk](http://www.ons.gov.uk)  [www.statistics.gov.uk](http://www.statistics.gov.uk) |
| Regulatory bodies, deregulation and direct provision of goods and services.  **KC6** | In pairs or groups, learners:   * find examples in their own country of regulation, deregulation and direct provision of goods and services by the government * show how these have been designed to achieve an efficient resource allocation and correct market failure * consider the extent to which such intervention has corrected the identified market failure * prepare a presentation on their findings.   Class discussion in which each group gives their presentation. Ensure that learners understand the mechanisms governments can use to intervene to correct market failure in an economy. | To help learners get the most from this activity, give them guidance on where to obtain the information they need for the government interventions they are looking at.  The group activity provides a good opportunity for peer mentoring. |
| Pollution permits  **KC6** | Explain that a pollution permit refers to a licence given by a government which allows a firm to cause pollution, but only to a certain level. By allowing less than the current pollution levels, this can contribute to reducing pollution in an economy.  In groups, learners:   * research examples of the use of pollution permits in their own country * investigate how well or otherwise the idea works in practice * report back their findings to the class.   Consolidate learning by setting written questions on the Kyoto Protocol and carbon trading so learners practise looking at government microeconomic intervention in relation to pollution and climate change issues. | Pollution permits can also be known as tradable permits, carbon taxes or carbon credits.  For the group activity, give learners guidance on where to look for the information, along with an example pollution permit if possible. |
| Price and output decisions under nationalisation and privatisation  **KC6** | In pairs or groups, learners:   * find examples of firms that have either been nationalised or privatised, in their own country if possible * investigate how both types of change affect price and output decisions.   Each group reports back to the class and discusses how such changes in ownership affect price and output decisions. | To help learners get the most from this activity, give them guidance on where to obtain the information they need for the country and firms they are looking at.  The group activity provides a good opportunity for peer mentoring. |
| Behavioural insights and ‘nudge’ theory | In pairs or groups, learners:   * consider to what extent people act in the rational way traditional economic theory suggests when making purchasing decisions, or whether they actually act in less rational ways, such as being influenced by brands, peer groups, celebrity endorsement, etc. * look at ways governments use ‘nudge’ theory to influence consumer behaviour (e.g., to consume fewer demerit goods such as cigarettes or alcohol) * assess how effective this is and the extent to which success is affected by underlying addiction to the products concerned * produce a collaborative report on their findings.   Each group then feeds back to the class as the basis for a wider discussion to consolidate learning on behavioural insights. | Behavioural insights into achieving efficient resource allocation emphasise the importance of the actual behaviour of people, rather than relying on the traditional assumption that they always act rationally.  Nudge theory suggests that the economic behaviour of people can be changed by ‘nudging’ rather than forcing them in a certain direction.  The group activity provides a good opportunity for peer mentoring.  Build in:   * incentives * Individual and crowd psychology. |
| Progress check – policies to achieve efficient resource allocation and correct market failure | To consolidate learning of this topic, set a question from Paper 41 Jun 2020 **(I)(F)**  Or Q2 from Specimen Paper 4 for examination from 2023 | This question will give learners the opportunity to consider some of the problems of resource allocation in a market. Appreciating ‘to what extent’ governments might be able to achieve a better resource allocation than the market is the key element. |
| Government failure in microeconomic intervention. | Arrange a class debate with two learners speaking for and two against the key themes of:   * achieving efficient resource allocation and correcting market failure * redistribution of income and wealth * labour market forces in perfect and imperfect markets.   Focus the debate on one economy that you have studied in detail, preferably that of the learners’ own country, and explain that all comments and contributions from the class must be supported by real-world examples to help consolidate learning. | I It is important that learners are able to critically reflect on all the examples of government microeconomic intervention covered in this topic and are also able to offer a reasoned assessment for each policy as to what extent the benefits outweigh the limitations.  It is vital that learners are able to look at both sides of the argument, particularly in longer questions with the command word ‘discuss’. Running a debate on this topic will help learners assess both the benefits and limitations of the various methods of government intervention as well as developing their understanding of the types of intervention that can be made. |
| **8.2 Equity and redistribution of income and wealth** | | |
| Difference between equity and equality | Explain, using examples of own country, the difference between equity and equality. Learners write down definitions. |  |
| Difference between equity and efficiency | In pairs, learners think of examples of where there may be a clash between equity and efficiency in an economy. One such example is the uneven distribution of income in an economy – this could be addressed by placing higher taxes on the rich and giving subsidies to the poor, but this interfere with the market mechanism, creating inefficiency**.**  Each pair prepares a presentation on their examples. | Learners need to appreciate that what is fair in an economy may not be efficient. |
| Distinction between absolute poverty and relative poverty | Explain using the differences using data from own country. |  |
| The Poverty Trap | Learners:   * find examples of poverty traps in their own or another country * conduct a more detailed analysis on the causes, potential solutions and consequences for one of the examples they find * present their findings to the class.   Conclude with a class discussion to ensure learners understand the key points of this topic. | The poverty trap refers to a situation where a person receives benefits, increasing their income, but this higher income then results in that person no longer being entitled to benefits they were originally allowed to claim.   * This is one useful example that can be included in the concluding activity in this topic on *Government failure in microeconomic intervention* below. |
| Policies towards equity and equality  Negative income tax  Universal benefits and means-tested benefits  Universal basic income  **KC5**  **KC6** | In pairs, learners:   * Identify examples of means-tested benefits (e.g. unemployment benefit) and transfer payments (e.g. welfare payments, state pension ) in their own and other countries * assess the advantages and disadvantages of the different mechanisms identified * summarise their findings on an A3 Mind map to enable comparison and discussion with other groups. * find out which countries use negative income tax and assess the advantages and disadvantages of this mechanism   Use the resulting class discussion to ensure that learners fully understand the role means-tested benefits and transfer payments can play in bringing about a more even distribution of income in an economy and the resulting risks of both (disincentive to work, absence of a link to productive effort. | To help learners get the most from this activity, give them guidance on where to obtain the information they need.  Means-tested benefits are targeted at those perceived to me in most need.  Transfer payments are usually paid to individuals by a government, and the key feature is that no productive effort is required to receive it.  Ensure learners do not confuse transfer payments with ‘transfer earnings’ (see the *Labour Market Forces* below). |
| Progress check – equity and policies towards income and wealth redistribution | To consolidate learning of this topic, set a question from Cambridge Specimen Paper as a class test or homework. | This will give learners the opportunity to look at how a government might achieve a more equal distribution of income. The key elements are the command word ‘discuss’ and recognising that the question is only concerned with income, not wealth. |
| **8.3 Labour market forces and government intervention** | | |
| Demand for labour | [Think-Pair-Share](https://www.wgu.edu/heyteach/article/how-think-pair-share-activity-can-improve-your-classroom-discussions1704.html) – “What do we mean by Demand for labour’?  Through feedback establish that firms demand labour. |  |
| Factors affecting demand for labour in a firm or an occupation.  Causes of shifts in and movement along the demand curve for labour in a firm or an occupation | Explain that wages are determined in the same way as any other price in a market, e.g., by the interaction of demand and supply. Include here the concept of derived demand – e.g., if the demand for a good increases, then the productivity for that good increases, which in turn leads to an increase in labour. | To help learners get the most from this activity, give them guidance on where to obtain the information they need.  The group activity provides a good opportunity for peer mentoring.  [www.tutor2u.net/economics/revision-notes/a2-micro-demand-for-labour.html](http://www.tutor2u.net/economics/revision-notes/a2-micro-demand-for-labour.html) |
| Marginal revenue product (MRP) theory.  **KC2** | Explain the importance of marginal revenue product theory in terms of the demand curve for labour.  Give data example, by using a table and learners complete it.  Set questions requiring learners to do calculations of marginal revenue product to help them gain a better understanding of the concept. **(I)(F)**  Consolidate learning of marginal revenue productivity by setting Question 5a from Paper 42 Mar 2019 as a class test or homework. |  |
| Factors affecting the supply of labour | In pairs or groups, learners research the labour force in their country and how the size and composition of that labour force has changed over, say, the last thirty years.  Follow this with a class discussion to consolidate learning. | To help learners get the most from this activity, give them guidance on where to obtain the information they need.  A thirty-year period is recommended as the minimum time for the underlying trends to become easily apparent.  [www.tutor2u.net/economics/revision-notes/a2-micro-supply-of-labour.html](http://www.tutor2u.net/economics/revision-notes/a2-micro-supply-of-labour.html) |
| Causes of shifts in and movement along the supply curve of labour to a firm or an occupation | [Think-Pair-Share](https://www.wgu.edu/heyteach/article/how-think-pair-share-activity-can-improve-your-classroom-discussions1704.html) – “What factors affect the supply of labour?”. Through feedback, write factors on the board as a list.  Learners say whether the factors would cause a movement or a shift in the supply curve.  Learners write own notes from board. |  |
| Wage determination in perfect markets  **KC3** | Learners put both demand and supply curve together on a diagram.  Give a worksheet with changes in factors determining demand and supply of labour. Learners show, using a D&S diagram, how changes affect the wage rate.  Consolidate learning of wage determination in perfect markets by setting question 5A from Paper 42 Mar 2020 as a class test or homework. **(I)(F)** | [www.tutor2u.net/economics/revision-notes/a2-micro-wage-determination-competitive-markets.html](http://www.tutor2u.net/economics/revision-notes/a2-micro-wage-determination-competitive-markets.html)  [www.s-cool.co.uk/a-level/economics/labour-markets/revise-it/the-equilibrium-wage](http://www.s-cool.co.uk/a-level/economics/labour-markets/revise-it/the-equilibrium-wage) |
| Wage determination in imperfect markets – the influence of trade unions, governments and monopsonies  **KC3** | Explain the potential influence in the determination of wages in imperfect markets of:   * trade unions * governments (e.g., national minimum wage) * monopsonies and bilateral monopolies.   Teacher led explanation. Learners will need the diagrams. | A difficult topic which relies on teacher led explanations.  A monopsony refers to a single buyer of a factor of production, such as labour.  [www.tutor2u.net/economics/revision-notes/a2-micro-trade-unions-and-monopsony-employers.html](http://www.tutor2u.net/economics/revision-notes/a2-micro-trade-unions-and-monopsony-employers.html) |
| Progress check | Question 3 Specimen Paper 4 (2023) essay on imperfect labour markets. | An opportunity for learners to draw and use a diagram in their analysis |
| Determination of wage differentials by labour market forces | This topic focuses on elasticities of demand and supply.  [Think-Pair-Share](https://www.wgu.edu/heyteach/article/how-think-pair-share-activity-can-improve-your-classroom-discussions1704.html) – Give learners three different occupations. Learners consider why they are paid different amounts of money.  Write answers on board. Explain the points made in terms of elasticities. | Diagrams of different elasticities in supply and demand are needed to illustrate the differences in wages. |
| Transfer earnings and economic rent | Explain that:   * + transfer earnings refer to the wages which could be earned in the next best alternative employment   + economic rent refers to the amount which a person can earn that is in excess of their transfer earnings.   Set a question to ensure learners can apply these concepts. Learners:   * + find out the earnings of, for example, members of their family * distinguish the related transfer earnings and economic rent * summarising their findings in a one-page profile. | The following link has notes on this topic:  [www.economicshelp.org/microessays/economic-rent/ - :~:text=Transfer earnings are the minimum,need in order to work.](https://www.economicshelp.org/microessays/economic-rent/#:~:text=Transfer%20earnings%20are%20the%20minimum,need%20in%20order%20to%20work.) |
| Progress check – wage determination in perfect and imperfect markets | Consolidate learning of this topic by setting Question 5b from  Paper 42 Mar 2019 as a class test or homework.  Or Question 3 from Specimen Paper 4 2023**.** | By focusing on the distinction between the two, this question helps learners understand the difference between perfect and imperfect labour markets. |
| **Past and specimen papers** | | | |
| Past/specimen papers and mark schemes are available to download from the [School Support Hub](http://www.cambridgeinternational.org/support) (F) | | | |

# 9. [The macroeconomy (A Level)](#_Contents)

| **Syllabus ref. and Key Concepts (KC)** | **Suggested teaching activities** | **Teacher guidance and resources** |
| --- | --- | --- |
| **9.1 The circular flow of income** | | |
| The multiplier process:  Definition  Calculations | Explain using an illustration how the multiplier works.  Show learners a worked example of the calculation of the multiplier.  Give learners a worksheet with multiplier calculations. | A visual aid explains clearly the multiplier effect. They can be found on google images.  The worksheet should include calculating the value of the multiplier and calculating the effect on national income. |
| Calculation of  Average and marginal propensities | Emphasise that the proportion of a household’s disposable income spent on consumption reduces as income increases because more is put aside as savings. Define key terms.  Give learners the appropriate data and guidance to:   * work out to what extent the marginal propensities to save and consume change as incomes rise * calculate figures for both the average and marginal propensities to save and consume * consider the major effects on these figures (e.g., price inflation, savings rates, age, etc.). |  |
| Consumption and savings | Give the definition of consumption. Learners consider what factors affect consumption.  Write findings on board.  Learners put factors in the first column of a two-column table: in the second column learners explain how the factor affects consumption. | The following will need to be explained: consumption function: autonomous and induced consumer expenditure • savings function: autonomous and induced savings. |
| Investment, accelerator | Give the definition of investment. Learners consider what factors affect investment. Write findings on board.  Learners put factors in the first column of a two-column table: in the second column learners explain how the factor affects investment.  The video from tutor2u.net gives a good explanation of the accelerator affect. | The difference between autonomous and induced investment needs to be explained.  [www.tutor2u.net/economics/reference/accelerator-effect](https://www.tutor2u.net/economics/reference/accelerator-effect) |
| Government Spending | [Think-Pair-Share](https://www.wgu.edu/heyteach/article/how-think-pair-share-activity-can-improve-your-classroom-discussions1704.html) – Discussion of the factors which affect the level of government spending. |  |
| Net exports | In pairs, learners brainstorm what factors affect imports and exports of their country. Produce worksheet with questions which check their understanding of how each change affects net exports and the subsequent effect on aggregate demand. |  |
| Full employment level of national income and equilibrium level of national income:   * inflationary and deflationary gaps   **KC3** | Give definitions to learners. Give learners charts of GDP for their country and they identify periods of inflationary and deflationary gaps.  Learners draw an AD/AS diagram. They have to indicate where there would be an inflationary gap and a deflationary gap. | You may need to reverse this diagram by putting the output position on the diagram and Learners say what type of gap it is. |
| **9.2 Economic growth and sustainability** | | |
| Business Cycle  Actual versus potential growth in national output.  Output gaps  **KC4** | Watch Tutor2u presentation on business cycle  Set questions to ensure learners understand **(I)(F)**  To develop understanding of potential growth, In pairs or groups, learners: draw two production possibility curve diagrams, one showing a movement from within the curve to a point on the curve and one showing a shift outwards of the curve.  Finish with a class discussion to consolidate learning on actual and potential growth, output gaps and business/trade cycles. | [www.tutor2u.net/economics/reference/economic-cycle](https://www.tutor2u.net/economics/reference/economic-cycle)  Learners need to understand the distinction between actual and potential growth in terms of the difference between a movement from within a production possibility curve to a position on the curve and an actual shift outwards of the curve.  It is also important they understand the concept of an output gap in terms of the level of expenditure in an economy being less than the capacity of an economy to produce. |
| Policies to promote economic growth and the effectiveness  **KC6**  **KC7** | Brainstorm examples of government policies. In groups:   1. Learners consider how identified policies can be applied to economic growth; 2. Choose one policy and discuss its effectiveness.   Groups feed back to class in form of mini presentation.  Each group writes up findings. These are photocopied and shared with the class. | Ensure each group chooses a different policy to evaluate to ensure all policies are covered. |
| Inclusive economic growth | Give a definition of inclusive economic growth. Set the following question ‘Why do we need inclusive growth?’ Learners use textbooks, internet, or other resources, to answer the question.  Learners present findings in a one-page profile. | This activity can be given as a flipped learning activity. |
| Sustainable economic growth  **KC4** | Group work. Define sustainable economic growth. Set research task which involves answering the questions:   * what impact does economic growth have on the environment and climate. * What policies can be used to mitigate the impact of economic growth on the environment and climate change.   Learners present their findings. |  |
| **9.3 Employment/unemployment** | | |
| Full employment and the natural rate of unemployment | Give key terms to learners. Then learners:   * find out the current rate of unemployment in their own country or another country you specify * research that economy further and come to an informed judgement as to what might be regarded as full employment * assess what amount of the unemployment rate is ‘natural’ * write up their findings in a one-page profile.   Class discuss this to consolidate learning.  Extend more able learners by asking them to look at the non-accelerating inflation rate of unemployment (NAIRU). | Start by explaining that:   * *full employment* is the agreed percentage of those available to work who are in work (definitions vary depending on whether factors such as changing jobs are taken into account) * *natural rate of unemployment* is the level of unemployment in an economy when the rate of inflation is stable (e.g., if production costs increase, production reduces and unemployment increases ‘unnaturally’).   Teaching activities on Keynesian and monetarist approaches to economics are provided later on in this topic.  [www.s-cool.co.uk/a-level/economics/unemployment-and-the-phillips-curve/revise-it/links-with-aggregate-demand-and-supp](http://www.s-cool.co.uk/a-level/economics/unemployment-and-the-phillips-curve/revise-it/links-with-aggregate-demand-and-supp) |
| Equilibrium and disequilibrium employment | Give definition using an AD/AS diagram. |  |
| Voluntary and Involuntary unemployment | Give definition using an AD/AS diagram. |  |
| Natural rate of unemployment | Present diagram of natural rate of unemployment and explain. Learners copy into notes. Through questioning, learners consider:   * + determinants   + policy implications   Alternatively, learners read the notes from economicshelp.org and summarise into flashcards.  Then set a worksheet with questions to check their understanding. | [www.economicshelp.org/macroeconomics/unemployment/natural\_rate/](https://www.economicshelp.org/macroeconomics/unemployment/natural_rate/) |
| Patterns and trends in (un)-employment  **KC4** | Collect Unemployment data from the internet which includes data covering the last 30 years. Produce a worksheet including questions relating to the data. | Recognising trends is an important skill throughout the syllabus, particularly for the AS Level and A Level data response questions. |
| Mobility of labour  Forms,  Factors affecting | Give definitions of each form of immobility:   * occupational mobility * geographical mobility.   [Think-Pair-Share](https://www.wgu.edu/heyteach/article/how-think-pair-share-activity-can-improve-your-classroom-discussions1704.html) – Learners consider what affects the mobility of each. Feedback to class, write on board. Learners write own notes. |  |
| Policies to correct unemployment  **KC6** | Outline the range of policies which can be used to control unemployment, such as:   * fiscal policies * monetary policies * supply-side policies * exchange rate policies.   In pairs or groups, learners compare the advantages and disadvantages of the different policies to control unemployment in an economy.  Use this work as the basis for a class discussion or debate on the relative merits of the various approaches, taking into account their impact on other economic objectives.  Consolidate learning of this topic by setting Question 7 from Paper 42 Mar 2019 as a class test or homework. **(I)(F)** | Stress that there are number of different approaches and emphasise that policies to correct unemployment could conflict with other economic objectives.  The past paper question requires learners to focus on whether it is justifiable for any one economic policy (in this case reducing the level of unemployment) to be the main macroeconomic aim of a government at the expense of other economic aims. |
| **9.4 Money and banking** | | |
| Definition, functions and characteristics of money | List the four key functions of money on the whiteboard: a medium of exchange; a unit of account; a standard for deferred payment; a store of wealth.  Give learners in pairs a worksheet with four columns, one for each of the four key functions. In each column, learners explain how each function might be important in a modern economy. Do the same for characteristics of money.  Class discussion to focus on the relationship between the functions of money and the successful management of a modern economy. | Learners frequently confuse the characteristics of money with the functions. Explain the former enables identification of money while the latter is vital to explaining the importance of money in a modern economy. |
| Definition of money supply | In pairs or small groups, learners:   * research the distinction between broad and narrow money in their own economy * display the information in a wall chart for the class.   Class discusses to ensure learners can clearly differentiate between what is termed a broad money supply and what is regarded as a narrow money supply. | You may need to give learners some guidance on where to source the information they need for this activity, The website of the country’s central bank is one useful source.  [www.tutor2u.net/economics/revision-notes/a2-macro-monetarism.html](http://www.tutor2u.net/economics/revision-notes/a2-macro-monetarism.html) |
| Quantity theory of money (MV=PT) | Learners research the meaning of the quantity theory of money and how the equation is applied. **(I)**  Class discussion to ensure that learners understand the context, key points and application of this theory.  Set questions for learners to apply their understanding of the quantity theory of money to particular situations. **(I)** | The quantity theory of money (MV=PT) is a key component of monetarist explanations of inflation, and learners should understand it in these terms.  [www.tutor2u.net/economics/revision-notes/a2-macro-monetarism.html](http://www.tutor2u.net/economics/revision-notes/a2-macro-monetarism.html) |
| Functions of commercial banks | Research the functions of a commercial bank. Learners present findings in a one-page profile. | Set the activity as homework. Using the internet or textbook. |
| Causes of changes in the money supply in an open economy. | Teacher led presentation of the following topics:   * Explanation of credit creation and the bank credit multiplier * government deficit financing * quantitative easing * changes in the balance of payments   Set questions at the end of each topic to check understanding. The role of the central bank can be set as a research topic. | Useful resources:  [www.tutor2u.net/economics/reference/financial-economics-creating-credit](https://www.tutor2u.net/economics/reference/financial-economics-creating-credit)  [www.economicshelp.org/blog/619/economics/how-is-national-debt-financed/](https://www.economicshelp.org/blog/619/economics/how-is-national-debt-financed/)  [www.economicshelp.org/blog/1047/economics/quantitative-easing/](https://www.economicshelp.org/blog/1047/economics/quantitative-easing/) |
| Policies to reduce inflation and their effectiveness  **KC6** | Discuss different policies, e.g., fiscal policy, monetary policy and supply side policy. Apply the policies to inflation, using an AD/AS diagram. |  |
| Demand for money  liquidity preference theory | Explain why Liquidity Preference theory is one of the main theories of interest rate determination.  [Think-Pair-Share](https://www.wgu.edu/heyteach/article/how-think-pair-share-activity-can-improve-your-classroom-discussions1704.html) – Learners identify what influences a person’s demand for money.  Provide questions which learners consider the impact of changes in interest rates on the demand for money.  Consolidate learning of liquidity theory by setting Question 6a from Paper 43 Nov 2019 as a class test or homework. | The past paper question provides good practice as it requires learners to focus on the role of interest rates as a factor in determining the demand for money in an economy. |
| Interest rate determination: loanable funds theory and Keynesian theory | Explain that there are markets for money; within these markets there is a demand for money and a supply of money. Illustrate that interest rates are determined by the intersection of demand and supply.  Learners consider what affects the demand for funds and factors which affect the supply. | [www.economicsdiscussion.net/theories/loanable-funds-theory-with-diagram/7504](https://www.economicsdiscussion.net/theories/loanable-funds-theory-with-diagram/7504) |
| **Past and specimen papers** | | | |
| Past/specimen papers and mark schemes are available to download from the [School Support Hub](http://www.cambridgeinternational.org/support) (F) | | | |

# 10. [Government macroeconomic intervention (A Level)](#_Contents)

| **Syllabus ref. and Key Concepts (KC)** | **Suggested teaching activities** | **Teacher guidance and resources** | |
| --- | --- | --- | --- |
| **10.1 Government macroeconomic policy objectives** | | | |
| Objectives in terms of inflation, balance of payments, unemployment, growth, development, sustainability and redistribution of income and wealth | Learners produce a mind map of the objectives and policies. | This is an opportunity for revision from AS Level. It could be used as a flipped learning activity. | |
| **10.2 Links between macroeconomic problems and their interrelatedness** | | | |
| Relationship between the internal value of money and the external value of money.  **KC4** | In groups, learners research the relationship between two economic variables.  Learners collect data to support their findings.  Report back to class in form of short presentation. | This activity is to be done alongside the activities below, so each group is research the relationships including this one and the ones below. | |
| Relationship between the balance of payments and inflation.  **KC4** | Put learners into groups. Ask each group to research the relationship between two economic variables.  Learners collect data to support their findings.  Report back to class in form of short presentation. | Alternative is to give students sources of data. Ask students to identify the relationship from the data and ask students to suggest why the relationship occurs.  This could be in the form of a worksheet. | |
| Relationship between growth and inflation  **KC4** | Put learners into groups. Ask each group to research the relationship between two economic variables. Learners collect data to support their findings. Report back to class in form of short presentation. |  | |
| Relationship between growth and the balance of payments  **KC4** | Put learners into groups. Ask each group to research the relationship between two economic variables.  Learners collect data to support their findings.  Report back to class in form of short presentation. |  | |
| Relationship between inflation and unemployment: | Traditional Phillips curve:   * expectations-augmented Phillips curve (short- and long-run Phillips cu |  | |
| Progress check – government macro intervention | As learners have now completed the AS Level units, set the whole Past Paper 2 under timed conditions. **(I)(F)** | A wide range of past papers (pre 2023) are available on the School Support Hub to help ensure it will be an unseen paper. | |
| **10.3 Effectiveness of policy options to meet all macroeconomic objectives** | | | |
| Fiscal policy including Laffer curve | Give learners notes from economics help. Learners read and then answer questions based on the information.  Learners research what is meant by a Laffer curve and how to present a Laffer curve analysis.  To consolidate learning, set questions requiring learners to apply a Laffer curve analysis. | | [www.economicshelp.org/macroeconomics/fiscal-policy/fiscal\_policy/ - :~:text=Fiscal policy is most effective,deep recession (liquidity trap).&text=For example, if the government,be insufficient to boost demand.](https://www.economicshelp.org/macroeconomics/fiscal-policy/fiscal_policy/#:~:text=Fiscal%20policy%20is%20most%20effective,deep%20recession%20(liquidity%20trap).&text=For%20example%2C%20if%20the%20government,be%20insufficient%20to%20boost%20demand.)  Ensure learners understand that higher tax rates will eventually lead to a decline in taxation revenue because of the disincentive effect of the Laffer curve. |
| Monetary policy  **KC4**  **KC6** | Explain using a PowerPoint presentation and worksheets and questions to check understanding. Lead class discussion on the effectiveness. | |  |
| Supply-side policy  **KC4**  **KC6** | Explain using a PowerPoint presentation and worksheets to check understanding. Apply knowledge to a given situation to lead discussion on effectiveness. | | Worksheets can include data to see if the policy is effective. |
| Exchange rate policy  **KC4**  **KC6** | Explain using a PowerPoint presentation and worksheets to check understanding | |  |
| International trade policy  **KC4**  **KC6**  **KC7** | Explain using a PowerPoint presentation and worksheets to check understanding | |  |
| Progress check | All of the above can be checked using past-paper questions. Essay titles can be used as a starting point for all the above topics. | | Learners research/read notes first in order to come up with an essay plan. |
| Problems arising from conflicts between policy objectives on inflation, unemployment, economic growth, the balance of payments, exchange rates and the redistribution of income and wealth | Learners research the conflicts that can arise between policy objectives in their own or another specified economy.  Give each group one of the following areas of potential conflict:   * inflation and unemployment * inflation and economic growth * inflation and the balance of payments * inflation and exchange rates * inflation and the redistribution of income and wealth * unemployment and economic growth * unemployment and the balance of payments * unemployment and exchange rates * unemployment and redistribution of income and wealth.   Each group gives a presentation on their findings. Class discussion to ensure understanding of the key points. Consolidate learning by setting Q7 from Paper 42 Mar 2019 or Q4 from Specimen Paper 4 2023. | | Learners need to understand that there are likely to be conflicts between the different macro policy objectives, and it is unlikely that any government will be successful in achieving all its objectives simultaneously.  The macro policy aim of redistributing income and wealth gives an excellent opportunity to apply this key concept.  [www.tutor2u.net/economics/revision-notes/as-macro-objectives-trade-offs.html](http://www.tutor2u.net/economics/revision-notes/as-macro-objectives-trade-offs.html)  [www.s-cool.co.uk/a-level/economics/ macroeconomic-objectives/revise-it/conflicts-between-macroeconomic-objectives](http://www.s-cool.co.uk/a-level/economics/macroeconomic-objectives/revise-it/conflicts-between-macroeconomic-objectives) |
| Existence of government failure in macro-economic policies | Give learners (in pairs or groups) access to suitable resources to:   * research examples of government failure in macroeconomic policies in their own or another country’s economy * investigate what role inadequate or incorrect information played in contributing to this failure * display their findings in a one page profile.   Discussion on findings so learners can apply their understanding to a wide range of examples. Set questions on government failure. **(I)** | | Learners need to understand there can always be a degree of government failure in terms of the macroeconomic policies it adopts, and that this can arise from complexity or unreliability of information as well as policy conflicts.  [www.tutor2u.net/economics/revision-notes/as-marketfailure-government-failure.html](http://www.tutor2u.net/economics/revision-notes/as-marketfailure-government-failure.html) |
| **Past and specimen papers** | | | | |
| Past/specimen papers and mark schemes are available to download from the [School Support Hub](http://www.cambridgeinternational.org/support) (F) | | | | |

# 11. [International economic issues (A Level)](#_Contents)

| **Syllabus ref. and Key Concepts (KC)** | **Suggested teaching activities** | **Teacher guidance and resources** | |
| --- | --- | --- | --- |
| **11.1 Policies to correct disequilibrium in the balance of payments** | | | |
| Components of the balance of payments accounts | Explain the different sections of balance of payments.  Give learners a worksheet with items from all sections of the balance of payments. Learners identify from which section the items are from. | The video below explains the sections of balance of payments.  [www.tutor2u.net/economics/reference/balance-of-payments-1](https://www.tutor2u.net/economics/reference/balance-of-payments-1) | |
| Effect of fiscal, monetary, supply-side, protectionist and exchange rate policies on the balance of payments | Introduce by learners brainstorming/ mind mapping the tools of each of the policies.  Working in pairs or groups, learners work through the effect of one policy on the balance of payments.  All feedback to the class so all policies are covered. Each group write up notes; notes photocopied and shared with class. | Opportunity to recall previous knowledge. | |
| Difference between expenditure-switching and expenditure-reducing policies  **KC4** | Define the terms ‘expenditure switching policy’ and ‘expenditure reducing policy’.  Learners provide at least one example of each policy in practice, with a brief summary of the problem they were used to address and whether or not it was successful. **(I)**  Lead a class discussion in which learners report back on their findings to share and consolidate understanding.  Remind learners of instruments of macro policies; learners note down which of the instruments from the list would be appropriate to solve a balance of payments disequilibrium for:   1. an expenditure-switching approach 2. an expenditure-reducing approach. **(I)(F)**   Learners justify the use of the policies. | An expenditure-switching approach relies on changing the market price of imports/exports. Choosing devaluation as a policy instrument in this context would therefore affect both the price of imports and the price of exports and not achieve the desired goal.  [www.s-cool.co.uk/a-level/economics/ the-balance-of-payments/revise-it/how-does-a-government-reduce-a-current-account-d](http://www.s-cool.co.uk/a-level/economics/the-balance-of-payments/revise-it/how-does-a-government-reduce-a-current-account-d) | |
| **11.2 Exchange rates** | | | |
| Measurement of exchange rates | Hand out a worksheet that defines the three different types of exchange rate (nominal, real, trade-weighted) without identifying which is which. Then learners:   * research exchange rates using the provided textbook and website links * match the correct type of rate to each definition on the worksheet, explaining their choice in writing. * provide an example of how each type of exchange rate is measured. **(I)**   Follow with a class discussion based on individual task to ensure understanding of all the key points. | [www.tutor2u.net/economics/revision-notes/a2-macro-exchange-rate.html](http://www.tutor2u.net/economics/revision-notes/a2-macro-exchange-rate.html) | |
| Determination of exchange rates under fixed and managed systems  **KC3** | Give a definition of a ‘managed’ exchange rate.  Hand out a pre-prepared worksheet with questions on managed exchange rates for learners to complete in pairs.  Hand out a case study which illustrates the difficulties associated with attempting to manage exchange rates, together with a pre-prepared worksheet with related questions. Learners read the case study and carry out further research to provide written answers to the questions you set.  Consolidate learning on the determination of exchange rates with a brief class question and answer session on floating, fixed, and managed systems. | [www.tutor2u.net/economics/revision-notes/a2-macro-exchange-rate.html](http://www.tutor2u.net/economics/revision-notes/a2-macro-exchange-rate.html)  [www.tutor2u.net/economics/presentations/a2economics/macro/FixedFloatingExchangeRates/default.html](http://www.tutor2u.net/economics/presentations/a2economics/macro/FixedFloatingExchangeRates/default.html) | |
| Distinction between revaluation and devaluation of a fixed exchange rate | Give definitions of devaluation and revaluation.  Using the textbook and website resources provided here as a starting point, learners:   * find an example of a devaluation that has taken place in a country of their choice * find an example of a revaluation in a country of their choice * prepare a short presentation outlining why the devaluation/ revaluation was introduced and whether the strategy was successful. **(I)**   Finish with a class discussion to share learning. | Emphasise here that devaluation and revaluation relate only to fixed exchange rate systems and so are determined by governments and maintained through direct government intervention.  [www.tutor2u.net/economics/revision-notes/a2-macro-exchange-rate-determination.html](http://www.tutor2u.net/economics/revision-notes/a2-macro-exchange-rate-determination.html)  [www.businesseconomics.com/country-data.html](http://www.businesseconomics.com/country-data.html) | |
| Changes in the exchange rate under different exchange rate systems | Give learners scenarios which change the exchange rate. Learners explain the effects. |  | |
| The effects of changing exchange rates on the external economy using Marshall-Lerner and J curve analysis  **KC4**  **KC6** | Recap the key points on the macro economy covered so far in this topic. Lead a class discussion to ensure learners understand what the key domestic macroeconomic indicators and key external macroeconomic indicators are.  Explain the Marshall-Lerner condition and J curve analysis and how they are linked.  Put learners into groups and give each one key domestic one key external macroeconomic indicator to look at. Learners:   * research the potential impact of a change (in both directions) of a country’s exchange rate on their key indicators * prepare a PowerPoint presentation on this information, covering changes in AD/AS, the Marshall-Lerner condition and a J curve analysis. (**F)**   Learners present their findings to the class. | AD, Marshall-Lerner and J curve analysis are all key to the ability to analyse and evaluate the effects of exchange rate changes on the balance of payments.  [www.economicshelp.org/macroeconomics/bop/policies-to-reduce-deficit/](http://www.economicshelp.org/macroeconomics/bop/policies-to-reduce-deficit/)  [www.tutor2u.net/economics/revision-notes/a2-macro-exchange-rate-determination.html](http://www.tutor2u.net/economics/revision-notes/a2-macro-exchange-rate-determination.html) | |
| **11.3 Economic development** | | | |
| Classification of economies in terms of their development | Explain the different classifications of development.  Use data to illustrate the classification. | The World Bank have data to classify countries. | |
| Indicators of living standards and economic development.  Monetary indicators | For learners to understand how national income statistics can be used to measure economic growth and living standards, ask them to:   * use the internet to access and download national income statistics for their own country and five other selected countries * compare the data for the six countries you have allocated them * present their findings in a one-page profile.   Discuss in class with examples to ensure learners can understand and interpret national income statistics effectively. | The link to the World Factbook on the CIA website is one good starting place for finding data for this activity.  [www.cia.gov/library/publications/the-world-factbook/index.html](http://www.cia.gov/library/publications/the-world-factbook/index.html)  [www.tutor2u.net/economics/revision-notes/as-macro-national-income.html](http://www.tutor2u.net/economics/revision-notes/as-macro-national-income.html) | |
| Indicators of living standards and economic development.  Issues with Monetary indicators | [Think-Pair-Share](https://www.wgu.edu/heyteach/article/how-think-pair-share-activity-can-improve-your-classroom-discussions1704.html) – ‘What are the problems with national income statistics?’  Give learners time to discuss and share ideas. Feedback to the class and have discussion.  Learners write notes from the board. |  | |
| Indicators of living standards and economic development.  Non monetary indicators  **KC7** | Introduce the idea that there are other indicators of living standards in different countries:   * Human Development Index (HDI) * Measure of Economic Welfare (MEW) * Human Poverty Index (HPI) * Multidimensional Poverty Index (MPI) * Kuznets curve.   Allocate groups or pairs one of the above indicators, to:   * research the living standards in their own country * compare this with selected other countries * present the results in a report for sharing with the class.   Class discussion to compare the different indicators, how the results differ from each and which are most useful in which contexts.  Consolidate learning on measuring living standards by setting Question 7 from Paper 43 Nov 2019 as a class test or homework. | [www.cia.gov/library/publications/the-world-factbook/](http://www.cia.gov/library/publications/the-world-factbook/)  Ensure that learners are given a selection of countries to compare which cover developed as well as different degrees of developing countries.  The past paper question requires learners to think critically about how living standards are measured in different countries and gives further practise in doing 25-mark questions. | |
| Comparison of economic growth rates and living standards | Display data showing indicators of living standards and GDP for different countries.  Learners identify differences in rankings for different countries. | Using charts is a good way of helping learners become familiar with handling economic data. | |
| **11.4 Characteristics of countries at different levels of development** | | | |
| Population growth and structure | Display either on a worksheet or on a PowerPoint two population pyramids, one for a developing country and one for a developed country.  Learners identify differences between the pyramids. Discuss possible reasons for differences.  Learners write their conclusions from discussion. | The following website has good diagrams of population pyramids. [www.bbc.co.uk/bitesize/guides/ztr2w6f/revision/2](https://www.bbc.co.uk/bitesize/guides/ztr2w6f/revision/2)  This activity could be more structured by using structured questions to identify the reasons. | |
| Income distribution  *Gini coefficient Lorenz curve* | Hand out appropriate data on the distribution of income in various given countries and for each one learner:   * draw a Lorenz curve for that data * use the information this provided to come to a judgement as to whether the distribution of income in that country has become more or less equal over time. **(I)**   Consolidate learning by setting questions requiring learners to use the Gini co-efficient, draw a Lorenz curve and interpret the results. **(I)** | A Gini coefficient measures inequality in the distribution of income in a country. A Lorenz curve is a graphical representation of this measure.  Give learners plenty of opportunity to practice their skills in presenting data accurately. | |
| Economic structure | Present charts on a PowerPoint or worksheet showing different sectors for different countries in different stages of development. Omit the country names and learners identify developed and developing countries. Ask learners what causes the differences. | Using charts is a good way of helping learners become familiar with handling economic data. | |
| **11.5 Relationship between countries at different levels of development** | | | |
| International Aid | In pairs or groups, learners:   * research the different types of aid that exist, such as bilateral aid and multilateral aid.   Class discussion to consolidate learning.  Giving aid to developing countries is a topic that causes much debate, so learners in their pairs or groups prepare arguments for and against the different types of aid identified and where they are targeted, especially in the context of creating economic dependency. Allocate each group the point of view of either the country giving aid or the country receiving aid.  Hold a class debate on the different motives for aid, the potential benefits and drawbacks. | The first activity provides a good opportunity for peer mentoring.  For both tasks, guide and direct learners as appropriate to the resources they need to complete their work. | |
| Trade and investment | Use as a revision exercise from the benefits of trade.  Revise benefits of investment. Learners apply to an international context. |  | |
| Role of multinational companies (MNCs)  **KC7** | Research activity on role of multinationals to a given country.  Use information to have classroom discussion/ debate on whether MNCs are an overall benefit to international development. | Research activities are useful to set as a flipped learning activity. This will form the basis for class discussion.  Class discussion acts as evaluation which is a higher order skill. | |
| Foreign Direct Investment  **KC7** | In pairs or groups, learners:   * research the role multinationals and foreign direct investment plays in their own country or another specified economy * research the role that the government department for trade and investment plays in that economy in managing trade and investment generally, including both FDI and multinationals * present their findings in a wall chart or poster.   Class discusses whether multinationals are on balance good or bad for an economy, ensuring that the arguments both for and against can be substantiated.  Consolidate learning of FDI by setting Q5 from Specimen Paper 4 (2023). | It is important that learners are able to give a balanced response to questions on multinational and foreign investment.  You may need to direct learners to the resources they need for the first task. | |
| External debt  **KC7** | Introduce the concept using the video.  [Think-Pair-Share](https://www.wgu.edu/heyteach/article/how-think-pair-share-activity-can-improve-your-classroom-discussions1704.html) – After introduction learners consider the causes of external debt and subsequent problems.  The notes from economicshelp.org could be given and questions set, to check their understanding  Using the learners’ own country as a case study could be used. | The following video explains the difference between internal debt and external debt.  [www.tutor2u.net/economics/reference/difference-between-national-debt-and-external-debt](https://www.tutor2u.net/economics/reference/difference-between-national-debt-and-external-debt)  [www.economicshelp.org/blog/14874/debt/problems-of-external-debt/](https://www.economicshelp.org/blog/14874/debt/problems-of-external-debt/) | |
| Role of the IMF | Research the role of the IMF as a flipped learning activity. Learners produce a one-page profile (report) with their findings. | [www.imf.org/en/Home](https://www.imf.org/en/Home) | |
| Role of the World Bank | Research the role of the IMF as a flipped learning activity. Learners produce a one-page profile (report) with their findings. | [www.worldbank.org/](https://www.worldbank.org/) | |
| **11.6 Globalisation** | | | |
| Meaning, causes and consequences | Introduce the topic by showing the video from tutor2u.net.  Set a research task by which the learners look at the causes and consequences of globalisation. This could be based on their own country.  Write their findings up as a report. | [www.tutor2u.net/economics/reference/globalisation](https://www.tutor2u.net/economics/reference/globalisation)  [www.economicsonline.co.uk/managing\_the\_economy/alternatives-to-gdp-in-measuring-countries.html](https://www.economicsonline.co.uk/managing_the_economy/alternatives-to-gdp-in-measuring-countries.html) | |
| Distinction between a free trade area, customs union, etc  **KC5**  **KC7** | Learners:   * research and provide a definition of economic integration * produce a diagram showing the different varieties and stages. **(I)**   Learners go through their work with a partner, and then discuss with the class.  Learners:   * watch the Economics Online video on economic integration * research and make notes about the features of integration * prepare questions about the features and varieties of economic integration for the class to answer. **(I)**   Lead a class question and answer session on economic integration, using the questions learners have developed as a framework. Support this with a set of pre-prepared questions of your own for learners to complete if required.  Recap the stages of economic integration, inviting learners to draw relevant diagrams on the board.  **Extension activity:** try a more detailed class activity on this based on a case study of the European Union. | [www.economicsonline.co.uk/Global\_ economics/Economic\_integration.html](http://www.economicsonline.co.uk/Global_economics/Economic_integration.html)  [www.economicsonline.co.uk/Global\_economics/Trade\_liberalisation.html](http://www.economicsonline.co.uk/Global_economics/Trade_liberalisation.html)  [www.economicsonline.co.uk/Global\_economics/Trading\_blocs.html](http://www.economicsonline.co.uk/Global_economics/Trading_blocs.html) | |
| Trade creation and trade diversion  **KC5** | Show learners the video from economicshelp.org. Learners make notes from video.  Show the diagram on board – learners copy into notes.  Research activity –learners research a trading bloc and identify examples of trade creation and trade diversion and assess consequences of. Learners write a one-page profile with their findings. | [www.economicshelp.org/blog/glossary/trade-diversion/](https://www.economicshelp.org/blog/glossary/trade-diversion/) | |
| Assessment of the effectiveness of fiscal, monetary and supply side policies to correct inflation and deflation  **KC4**  **KC6** | Recap the causes of inflation from the previous unit on the macro economy, using diagrams, AS/AD analysis and a question-and-answer session to refresh understanding. Give each learner a worksheet which lists the three main causes of inflation. Learners select and state the appropriate policy instruments to correct each type of inflation. **(I)**  In pairs, learners choose a policy instrument to correct inflation caused by each of the following:   * increasing costs (cost push) * too much spending (demand pull) * too much money in circulation (monetary).   One learner analyses how each policy instrument might work in practice, and the other evaluates their effectiveness. Each pair presents their findings to the class in a format of their choice for discussion and feedback. **(F)** | The three main causes of inflation are:   * monetary * cost-push * demand pull.   The pair task in this activity provides a further opportunity to explain the role of *analysis* (look at how variables can be used to predict different outcomes and so develop a policy) and *evaluation* (reach a conclusion or judgement on the effectiveness of a policy based on supporting evidence).  [www.tutor2u.net/economics/content/topics/inflation/controlling\_inflation.htm](http://www.tutor2u.net/economics/content/topics/inflation/controlling_inflation.htm)  [www.s-cool.co.uk/a-level/economics/ inflation-and-monetary-policy/revise-it/how-does-a-government-cure-inflation](http://www.s-cool.co.uk/a-level/economics/inflation-and-monetary-policy/revise-it/how-does-a-government-cure-inflation) | |
| Assessment of the effectiveness of fiscal, monetary and supply side policies to correct inflation and deflation  **KC4**  **KC6** | Recap the causes of deflation from the previous unit on the macroeconomy. To help refresh understanding on inflation and deflation at this point, set Question from Specimen Paper. **(I)(F)**  Hand out a case study based on a deflationary situation which occurred in a given economy in the last ten years. Tell learners they are the Chancellor of the Exchequer and responsible for solving this problem.  Learners write a report that:   * explains the three alternative policy options available * evaluates the effectiveness of each policy option * makes a recommendation as to which policy to adopt. **(I)**   Learners present their findings to the class for discussion / feedback.  Hand out information on what was done in relation to the case study and what degree of success or otherwise it had. Learners ask questions and compare the approach with what might be adopted by their own country. | Ensure here that learners can clearly distinguish between:   * deflation, where the average price level is consistently falling * disinflation, where the *rate of increase* of the average price level is falling.   As learners are now completing the A Level it would be useful to do the specimen paper question in timed conditions to help them with their exam preparation.  The tasks in this activity provide a good opportunity to revise macroeconomic theory and analysis as a whole.  [www.dineshbakshi.com/printable-worksh eets/business-economics-worksheets/ 1641-case-study-risk-of-deflation](http://www.dineshbakshi.com/printable-worksheets/business-economics-worksheets/1641-case-study-risk-of-deflation)  [www.businesseconomics.com/country-data.html](http://www.businesseconomics.com/country-data.html) | |
| Progress check – government macro intervention | As learners have now completed the A Level units, set the whole past paper under timed conditions. **(I)(F)** | Ensure that the paper you choose does not contain questions learners have already answered – a wide range of past papers (pre-2023) are available to help ensure it will be a fresh test. | |
| **Past and specimen papers** | | |
| Past/specimen papers and mark schemes are available to download from the [School Support Hub](http://www.cambridgeinternational.org/support) (F) | | |

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