

What are the aims and intentions of this curriculum?

The AQA Economics qualification aims to develop students' knowledge, understanding and skills of how the national economy operates. Students will gain an insight into the different economic indicators and they will become familiar with the macroeconomic objectives and different measures to government uses to achieve these objectives. There will be in depth discussions about how monetary and fiscal measures are used within the economy and the consequences both policies will have on consumers and the economy as a whole. This course is designed in such a way that students get as much exposure to real life examples as possible.

Term	Topics	Knowledge and key terms	Skills developed	Assessment
Autumn 1	Unit 2– The national economy in a global context	<p>Students acquire a sound understanding of the main objectives of government macroeconomic policy: economic growth, price stability, minimising unemployment and a stable balance of payments on current account. Students will explore the possibility of conflict arising, at least in the short run, when attempting to achieve these objectives.</p> <p>There will be an in depth look at data which is commonly used to measure the performance of an economy, such as: real GDP, real GDP per capita, Consumer Prices and Retail Prices Indices (CPI/RPI), measures of unemployment, productivity and the balance of payments on current account.</p> <p>Students will become familiar with how index numbers are calculated and interpreted, including the base year and the use of weights. They will also explore how index numbers are used to measure changes in the price level and changes in other economic variables.</p>	<p>Students will be able to:</p> <ul style="list-style-type: none"> List the main objectives of the government in terms of macroeconomic policy Discuss alternative objectives the government could have in terms of macroeconomic policy Debate how the importance of each objective changes depending on the economic situation Discuss possible conflict that can arise amongst objectives in the short run Illustrate how economic policies can be used to try and reconcile possible policy conflicts both in the short and long run Explain the meaning of key terms used to measure economic performance Give a brief explanation of indices such as the Retail Prices Index (RPI) and Consumer Prices Index (CPI) 	Half termly assessment which will consist of short answer questions on application of microeconomic principles

		<p>Next there will be a focus on national income and what it measures. Students will look at the difference between nominal and real income and how real income is used as an indicator of economic performance. The circular flow of income will be introduced. Students will need to know the equation $\text{income} = \text{output} = \text{expenditure}$, and the concepts of equilibrium and full employment income. They will also need to be able to explain the difference between injections and withdrawals into the circular flow of income as well as the effect of changes in injections and withdrawals on national income.</p>	<ul style="list-style-type: none"> • Outline how real income is used as an indicator of economic performance • Discuss in detail, the circular flow of income concept • Explain the effect that changes in the circular flow of income will have on national income 	
Autumn 2	<p>Unit 2 – The national economy in a global context</p>	<p>Students will learn that changes in the price level are represented by movements along the aggregate demand (AD) and aggregate supply (AS) curves. They will explore the various factors that shift the AD curve and the short-run AS curve. Emphasis will be placed on the fact that factors which affect long-run AS distinguish them from those which affect short-run AS. Students need to be able to indicate on a graph that underlying economic growth is represented by a rightward shift in the long-run AS curve and they need to be able to use AD/AS diagrams to illustrate macroeconomic equilibrium. They also need a sound knowledge of how both demand-side and supply-side shocks affect the macro economy.</p> <p>Students will have a sound understanding of what is meant by AD and they will be able to list the determinants of AD, i.e. the determinants of consumption, investment, government spending, exports and imports. The basic accelerator process will be discussed. Students will also learn about the determinants of savings and the difference between saving and investment. The role of AD in influencing the level of economic activity as well as the multiplier process and an explanation of why an initial change in expenditure may lead to a</p>	<p>Students will be able to:</p> <ul style="list-style-type: none"> • Use AD and AS analysis to help them explain macroeconomic problems and issues such as changes in price levels and economic growth • Explain the interdependence between global economic events and the domestic economy • Use AD and AS diagrams to illustrate movements and shift along these curves • Debate how both demand and supply side shocks affect the macro economy <ul style="list-style-type: none"> • Explain what is meant by AD • Demonstrate how changes in determinants of AD will affect AD overall • Discuss how changes in net exports affect AD and how global events affect economic performance. • How injection and withdrawals in terms of savings and investments will affect the macroeconomic • Calculate the value of the multiplier from 	<p>End of term assessment including multiple choice questions and well as longer questions – students will need to display evaluative skills when answering these questions</p>

		<p>larger impact on local or national income will also be discussed.</p> <p>Next, students will investigate price level and production costs as the main determinants of the short-run AS. The focus will be on changes in costs, such as: money wage rates, raw material prices, business taxation and productivity as these will all shift the short-run AS curve. This will then be compared with the determinants of the long run AS curve such as technology, productivity, attitudes, enterprise, factor mobility, and economic incentives.</p> <p>Students need to understand that the position of the vertical long-run AS curve represents the normal capacity level of output of the economy.</p>	<p>an initial change in injections and the resulting change in national income.</p> <ul style="list-style-type: none"> • Explain what is meant by AS • List and explain how the determinants of AS will shift the AS curve • Explain what is meant by long run AS curve • List and explain how the determinants of the long run AS curve will shift the AS curve 	
Spring 1	<p>Unit 2 – The national economy in a global context</p>	<p>Students will investigate the difference between short-run and long-run growth. There will be a focus on the various demand-side and supply-side determinants of short-run growth of real national income and the long-run trend rate of economic growth. Next, students will look at the economic cycle and the use of a range of economic indicators, such as real GDP, the rate of inflation, unemployment and investment, to identify the various phases of the economic cycle. It is important for students to understand the difference between positive and negative output gaps and how demand-side and supply-side shocks, including those that occur in the global economy, affect domestic economic activity.</p> <p>The next section will focus on unemployment in the UK. It will look at the main UK measures of unemployment, i.e. the claimant count and the Labour Force Survey measure. Students will need to distinguish between the terms seasonal, frictional, structural and cyclical unemployment. They also need to understand how employment and unemployment may be determined by both demand-side and supply-side factors. It is also important that students will be able to discuss</p>	<p>Students will be able to:</p> <ul style="list-style-type: none"> • Use a production possibility curve and AD/AS diagrams to illustrate the distinction between short-run and long-run economic growth. • Explain the term long-run economic growth and identify how it is linked to the trend rate of growth • Distinguish between positive and negative output gaps <ul style="list-style-type: none"> • List the different causes of unemployment • Apply the appropriate policies to reduce unemployment depending on the cause 	Trial examination 1

		<p>how changes in the rest of the world affect employment and unemployment in the UK.</p> <p>Students will investigate the concepts of inflation and deflation. They will also need to be able to explain concepts such as demand-pull and cost-push influences on the price level. Students must be able to link how changes in world commodity prices affect domestic inflation and how changes in other economies can affect inflation in the UK.</p> <p>International trade will be the next focus and as such students need to be able to discuss the importance of international trade for an economy such as the UK. They need to have a sound knowledge of the current account and that it comprises trade in goods, trade in services, income flows and transfers. Students need to be able to explain the meaning of a deficit and a surplus on current account. They also need to know the factors that influence a country's current account balance such as productivity, inflation and the exchange rate and economic activity in other countries.</p>	<ul style="list-style-type: none"> • Clearly explain the difference between inflation and deflation • Apply the concepts of inflation and deflation to relevant scenarios • Illustrate that deflationary policies are policies to reduce aggregate demand and do not necessarily result in deflation. • Explain how positive and negative output gaps relate to inflation and unemployment • Discuss the reasons of why international trade is important for the overall economic performance in the UK • Explain key vocabulary associated with the current account • List the factors that will influence a country's current account 	
Spring 2	<p>Unit 2 – The national economy in a global context</p>	<p>Students need to have a sound understanding of what the monetary policy entails. This includes the manipulation of interest rates, the supply of money and credit, and the exchange rate. The current objectives of monetary policy, set by the government will be discussed as well as the role of the Monetary Policy Committee of the Bank of England (MPC) and how it uses changes in bank rate to try to achieve the objectives for monetary policy, including the government's target rate of inflation. Students will need to know the factors considered by the MPC when setting bank rate as well as how changes in the exchange rate affect aggregate demand and the various</p>	<p>Students will be able to:</p> <ul style="list-style-type: none"> • Give a detailed explanation of what monetary policy entails • List the objectives of monetary policy as set by the government • Discuss the role of the MPC in executing monetary policy of the government • List all the factors to be taken into account when setting the bank rate • Explain how changes in the interest and exchange rates affect macroeconomic performance 	<p>Trial examination 2</p>

macroeconomic policy objectives.

The next section will focus on the fiscal policy which involves the manipulation of government spending, taxation and the budget balance. Students need to know that fiscal policy can have both macroeconomic and microeconomic functions. They need to be able to discuss how fiscal policy can be used to influence aggregate demand as well as aggregate supply. Discussions will take place in terms of how government spending and taxation can affect the pattern of economic activity. Students need to know the difference between direct and indirect taxes as well as progressive, proportional and regressive taxes. They must also be able to discuss the relationship between the budget balance and the national debt.

It is important for students to know the difference between supply-side policies and supply-side improvements in the economy as well as how supply-side policies can help to achieve supply-side improvements in the economy. Students need to understand how supply-side policies, such as tax changes designed to change personal incentives, may increase the potential output of the economy and improve the underlying trend rate of economic growth. They also need to be able to explain how supply-side policies can affect unemployment, the rate of change of prices and UK external performance, as reflected in the balance of payments on current account. Supply-side policies include measures such as government spending on education and training, cuts in income and corporation tax, welfare reform, and industrial policy.

- Give a detailed explanation of what fiscal policy entails
 - Link fiscal policy to improvements in both micro and macro economics
 - Discuss how fiscal policy influence both aggregate demand and aggregate supply
 - Recognise the main taxes in the UK and the main categories of government spending, eg spending on defence, health, education and welfare.
 - List and apply the different forms of taxes correctly to different scenarios
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- Recognise that supply-side improvements in the economy often originate in the private sector, independently of government, eg through productivity improvements, innovation and investment.
 - List the various forms of supply side improvements in an economy

Summer 1	Unit 2 – The national economy in a global context	Revision as end of year examinations take place in May	Students will be able to: <ul style="list-style-type: none"> Engage in Unit revision in preparation for their final examinations 	External Unit 1 examination – if AS is to be cashed in
Summer 2	Unit 4 – The national and international economy	<p>Students will look at the use and limitations of national income data to assess changes in living standards over time as well as to compare differences in living standards between countries. They will also need to be aware of the importance of using purchasing power parity (PPP) exchange rates when making international comparisons of living standards.</p> <p>Students will revise the concept of unemployment in the UK. They will need to distinguish between voluntary and involuntary unemployment as well as the terms seasonal, frictional, structural and cyclical unemployment. Students will need to be able to explain how employment and unemployment may be determined by both demand-side and supply-side factors. The concept of, and the factors which determine, real wage unemployment as well as the natural rate of unemployment will also be discussed. Students need to be able to explain the consequences of unemployment for individuals and for the performance of the economy.</p> <p>It is important that students are able to make links of how negative and positive output gaps relate to unemployment and inflationary pressures. Students must have a sound knowledge of both the short-run Phillips curve and the long-run, L-shaped Phillips curve. They must be able to explain the implications of the short-run Phillips curve and the long-run, L-shaped Phillips curve for economic policy. It is important for students to be able to demonstrate how economic policies may be used to try to reconcile possible policy conflicts both in the short run and the long run.</p>	Students will be able to: <ul style="list-style-type: none"> Compare changes in living standards domestically as well as between countries Use PPP exchange rates to make international comparisons in terms of living standards List the variety of causes of unemployment Apply appropriate policies to reduce unemployment depending on the cause. Make links between the output gap and the type of unemployment Explain why the supply-side causes of unemployment affect the position of the long-run aggregate supply curve. Use macroeconomic models, including the AD/AS model, to analyse the causes of possible conflicts between policy objectives in the short run and long run. Discuss approaches to reconciling these conflicts and the monetarist/supply-side view that the major macroeconomic objectives are compatible in the long run. Explain why the L-shaped Phillips curve is also known as the vertical long-run Phillips curve. 	Internal college end of year examination - if continued into A2

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