

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 and international economy operates. Students will gain an insight into how the UK trades with other countries and how factors such as exchange rates and globalisation can affect how this trade takes place. 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 4– The national and international economy	<p>Students need to be familiar with the concepts of inflation, deflation and disinflation. There will be a re-cap of Demand-pull and cost-push influences on the price level. The Fisher equation of exchange $MV = PQ$ and the Quantity Theory of Money in relation to the monetarist model will be looked at. They also need to know the effects of expectations on changes in the price level. It is important for students to be able to analyse the consequences of both inflation and deflation for both individuals and the performance of the economy. They also need to be able to make the link of how changes in world commodity prices affect domestic inflation as well as how changes in other economies can affect inflation in the UK.</p> <p>Students need to know the characteristics and functions of money. They also need to be able to distinguish between narrow and broad money. The difference between the money market, the capital market and the foreign exchange market will also be discussed. Students need to have a sound understanding of the role of financial markets in the wider economy and differentiate between debt and equity. They will also investigate the reasons of why there is an inverse relationship between</p>	<p>Students will be able to:</p> <ul style="list-style-type: none"> • Differentiate between deflation and disinflation • Explain how demand pull and cost push inflation affect different scenarios • Explain and give examples of what deflationary policies • Compare deflationary policies to deflation • Apply the Fisher equation to do simple calculations • Explain the consequences of using T instead of Q in the Fisher equation • Analyse the effects of both inflation and deflation on overall economic growth • List the different ways in which firms can raise finance • Discuss how financial markets influence the overall state of an economy within a country • Explain key terms in relation to government bonds • Calculate the yield on a government bond. 	Half termly assessment which will consist of an essay based question paper

		<p>market interest rates and bond prices.</p> <p>Students need to know the difference between a commercial bank and an investment bank and they need to be familiar with the main functions of a commercial bank. It is important that they understand the structure of a commercial bank's balance sheet and they must be able to list the objectives of a commercial bank, i.e. liquidity, profitability and security. Students must be able to discuss the potential conflicts between these objectives and explain how banks can create credit</p> <p>Students need to know the main functions of a central bank. They need to know that monetary policy involves the central bank taking action to influence interest rates, the supply of money and credit and the exchange rate. It is also important that they know the current objectives of monetary policy set by the government. There will be an emphasis on 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 need to know the factors considered by the MPC when setting the bank rate.</p>	<ul style="list-style-type: none"> • Explain what is meant by systematic risk • Explain the current and recent instruments of monetary policy such as: quantitative easing, funding for lending and forward guidance. • Discuss how the MPC of the Bank of England uses changes in bank rate to try to achieve the objectives for monetary policy, including the government's target rate of inflation. 	
<p>Autumn 2</p>	<p>Unit 4 – The national and international economy</p>	<p>Students need to know how changes in the exchange rate affect aggregate demand and the various macroeconomic policy objectives. There will be a focus on the monetary policy transmission mechanism, including the relationship between changes in interest rates and the exchange rate. They also need to know how the Bank of England can influence the growth of the money supply.</p>	<p>Students will be able to:</p> <ul style="list-style-type: none"> • Demonstrate the effect of changes in exchange rates upon macroeconomic policies • Evaluate the overall effectiveness of the Bank of England in managing the money supply as well as maintaining the inflation target 	<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>

Know how the financial system is being regulated e.g. the role of the Bank of England, the Prudential Regulation Authority (PRA), the Financial Policy Committee (FPC) and the Financial Conduct Authority (FCA). Students must be able to explain the reasons of why a bank might fail, including the risks involved in lending long term and borrowing short term. Students must differentiate between liquidity ratios and capital ratios and how they affect the stability of a financial institution. They also need to be able to explain what moral hazard is. Students must be able to link the problems in a financial market to the real economy.

Students need to know that fiscal policy involves the manipulation of government spending, taxation and the budget balance. It can have both macroeconomic and microeconomic functions. It is important for students to know how fiscal policy can be used to influence aggregate demand and supply. There will be a focus on how government spending and taxation can affect the pattern of economic activity. Students must know the different types of and reasons for public expenditure and they must be able to explain the reasons for the government levy on taxes. Students need to be able to differentiate between direct and indirect taxes as well as progressive, proportional and regressive taxes. It is important to know the principles of taxation, such as that taxes should be equitable. The role and relative merits of different UK taxes will also be explained. There will be a focus on the relationship between the budget balance and the national debt.

Students need to know the difference between cyclical and structural budget deficits and surpluses. They must be able to explain the

- Discuss the role of the PRA, FPC and the FCA in trying to maintain the stability of the financial system.
- Analyse the effect than a failure of the banking system can have on the overall economy

- Give examples of the macroeconomic and microeconomic functions of the fiscal policy
- Assess the economic significance of changes in the level and distribution of both public expenditure and taxation.
- Explain how different taxes will impact individuals within an economy
- Discuss the issue of the budget balance

- Evaluate the possible economic consequences of a government running a budget deficit or budget surplus.
- Assess the impact of measures used to

		<p>consequences of budget deficits and surpluses for macroeconomic performance. It is important for students to understand the significance of the size of the national debt as well as the role of the Office for Budget Responsibility.</p>	<p>rebalance the budget.</p>	
<p>Spring 1</p>	<p>Unit 4 – The national and international economy</p>	<p>Students need to know the difference between supply-side policies and supply-side improvements in the economy. They need to be able to explain how supply-side policies can help to achieve supply-side improvements in the economy. They also need to know 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.</p> <p>There will be a focus on 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. It is also important to investigate the role of supply-side policies in reducing the natural rate of unemployment. Students must know that free market supply-side policies include measures such as: tax cuts, privatisation, deregulation and some labour market reforms compared to interventionist supply-side policies that measures: government spending on education and training, industrial policy, subsidising spending on research and development. There will be an emphasis on the fact that supply-side policies can have microeconomic as well as macroeconomic effects.</p> <p>The next section will look at the causes and main characteristics of globalisation. There will be a focus on the consequences of globalisation</p>	<p>Students will be able to:</p> <ul style="list-style-type: none"> Recognise that supply-side changes in the economy often originate in the private sector, independently of government Give examples of how supply side policies originate in the private sector Explain how supply-side policies can involve government intervention to deal with market failures such as short-termism <ul style="list-style-type: none"> Give examples of supply side policies that will help to improve economic incentives and the operation of markets. <ul style="list-style-type: none"> List the main causes and characteristics of globalisation Distinguish between the cause of globalisation for less developed countries compared to more developed countries Explain the role that multinational corporations play in the globalisation process 	<p>Trial examination 1</p>

		<p>for less-developed and for more-developed countries as well as the role of multinational corporations in globalisation.</p> <p>The model of comparative advantage will be discussed next. Students need to be able to clearly distinguish between comparative and absolute advantage. They also need to be able to show how specialisation and trade can increase total output. Students need to know the other benefits of trade such as the ability to exploit economies of scale and increased competition. The costs of international trade will be discussed as well as the reasons for changes in the pattern of trade between the UK and the rest of the world. Next the students will look at the nature of protectionist policies, such as: tariffs, quotas and export subsidies. They need to know the causes and consequences of countries adopting protectionist policies.</p> <p>The last section in this unit will focus on the main features of a customs union. Students must know the main characteristics of the Single European Market (SEM) as well as the consequences for the UK of its membership of the European Union (EU). Students also need to be able to explain the role of the World Trade Organisation (WTO)</p>	<ul style="list-style-type: none"> • Use a simple numerical example to illustrate the principle of comparative advantage and the associated benefits of trade. • Make links between specialisation and trade to increased output and trade • Illustrate by giving examples how trade have changed between the UK and the rest of the world • Use a diagram to illustrate the effects of imposing a tariff on imports. • Discuss the arguments for and against the UK's membership of the EU. 	
Spring 2	Unit 4 – The national and international economy	<p>Students need to know the difference between the current, capital and financial accounts on the balance of payments. The current account comprises trade in goods, trade in services, income flows and transfers. Students also need to be able to distinguish between a deficit and a surplus on the current account. It is important that students recognise the factors that influence a country's current account balance such as productivity, inflation and the exchange</p>	<p>Students will be able to:</p> <ul style="list-style-type: none"> • Show a detailed knowledge of the structure of the current account of the balance of payments • Evaluate a deficit and surplus of current account • Explain the difference between foreign direct investment (FDI) and portfolio investment. 	Trial examination 2

rate. They also need to be able to explain the consequences of investment flows between countries.

It is important that students are able to discuss different policies that might be used to correct a balance of payments deficit or surplus as well as discuss the significance of deficit and surpluses for an individual economy. They also need to be able to explain the difference between expenditure-switching and expenditure-reducing policies. They need to be able to make links between the effect policies used to correct a deficit or surplus may have upon other macroeconomic policy objectives. There also needs to be a clear understanding of the implications for the global economy of a major economy or economies with imbalances deciding to take corrective action.

In the next section, students must be able to explain how exchange rates are determined in freely floating exchange rate systems. They also need to show an understanding of how governments can intervene to influence the exchange rate. Students must be able to list the advantages and disadvantages of fixed and floating exchange rate systems as well as the advantages and disadvantages for a country of joining a currency union, e.g. the Eurozone.

Students must be able to differentiate between growth and development. They must be able to list the main characteristics of less-developed economies as well as know the main indicators of development, including the Human Development Index (HDI). It is also important for students to know the factors that affect growth and development, such as: investment, education and training. Students must be able

- Evaluate policies that can be used to correct a deficit or surplus on current account
- Explain how expenditure switching and reducing policies are used within the macro economy

- Give a brief overview of the different exchange rate systems
- Explain why governments will want to intervene in order to influence the exchange rate

- Make appropriate links between economic growth and other parts of the specification, such as: globalisation, trade, the determinants of economic growth and inequality.
- Compare market-based strategies and interventionist strategies for promoting growth and development.

		<p>to list the barriers to growth and development, such as: corruption, institutional factors, poor infrastructure, inadequate human capital, lack of property rights. They need to have a sound understanding of the policies that might be adopted to promote economic growth and development and be able to explain the role of aid and trade in promoting growth and development.</p>		
<p>Summer 1</p>	<p>Unit 4 – The national and international</p>	<p>Revision as end of year examinations take place in May</p>	<p>Students will be able to:</p> <ul style="list-style-type: none"> Engage in Unit revision in preparation for their final examinations 	<p>External Unit 4 examination</p>