

<p><b>Unit 4: The global economy</b></p> <p>This unit is synoptic, in particular it develops the content of units 1 and 3 by examining the position of the UK in the context of the world economy. It focuses on international trade and exchange rate issues. At the end of this unit, students should be able to evaluate the macroeconomic performance of the UK in a European Union and Global perspective.</p>	<p>This SOW is based on 2 teachers, Teacher 1 8 hrs/fortnight Sept-May Teacher 2 2hrs/fortnight  T1 Total teaching time 44 hours – Revision time  T2 Total teaching time 16 hours – Revision time  Revision Unit 4 after Easter holidays T1+2</p> <p>Fiscal and monetary CMU and poverty and inequality measurement SMY in October – November before Unit 3 examination</p> <p>Exam Date June in the 20's  Each half term there should be a formal assessment of material learnt, ideally a past paper.  – Set text book Anderson Edition 5  Additional Reading and Exercises : Stephen Romer – European Union, Ian Black The UK Economy 1994-2004, The Economist - The World in 2010  International Trade and Globalisation by Smith (Anforme Edition 4)  Anforme Easy Mark Exercises In Development and International Economics (A EME)  Philip Allan Updates The National Economy and its management (PA NEM)  Philip Allan Updates Development Economics (PA DE)</p> <p>Teach 15 periods</p>
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TOPIC/ SPECIFICATION	Suggested Activities and Homework	Resources
<p><b><u>What is the role of the state in promoting growth and development?</u></b></p> <p>Evaluation of the use of policy to achieve macroeconomic objectives including macroeconomic stability  AD/AS distinguish SR v LR  Fiscal:  Types of taxation – direct v indirect, progressive v regressive  Link between change in tax rates and revenues  Budgetary objectives  Reasons for, and consequences of, budget/public sector deficits and surpluses</p>	<p>6</p> <p><i>Students should be encouraged to consider the direct consequences of public sector deficits/surpluses (eg deficits can be inflationary and provide an incentive to leave the workforce to live on benefits), rather than secondary effects (eg deficits mean that <math>G&gt;T</math>, so taxes need to be increased to tackle the deficit). The switch from a direct tax system to one focused on indirect taxes (which are considered regressive) should be considered in the light of tackling poverty.</i></p> <p>The Laffer Curve should be introduced (this could be introduced using the appropriate clip from Ferris Bueller's Day Off).  <a href="http://www.youtube.com/watch?v=OJIV-2dpm5o&amp;feature=related">http://www.youtube.com/watch?v=OJIV-2dpm5o&amp;feature=related</a></p> <p>Reasons for the changing size and pattern of public expenditure in different countries eg students might examine the significance of the difference of the size of the state sector between the UK and Malaysia.  <a href="http://www.ifs.org.uk/projects/330">http://www.ifs.org.uk/projects/330</a> - under fiscal facts</p>	<p>Anderton, Chapters 36-40  <a href="#">.ET nov06 Tax or Benefit System Distribution of Wealth.pdf</a>  <a href="#">ET nov08 Is the Budget Deficit too large.pdf</a>  DVD Stealth Taxes 2008  Worksheet on thresholds and fiscal drag  Data Response June 2008 Q4 &amp; student answer  <a href="#">Unit 6\Public Expenditure - Fiscal Policy\Threadgould Fiscal Policy.pdf</a></p> <p>ET Sep 04, page 6 —  <i>Effectiveness of supply side policies</i> — Clarke  <a href="#">.ET nov06 Should Control of Inflation be the Most Imppt Macroecon objective.pdf</a>  <a href="#">ET nov02 Does the UK have a 2 Speed Economy.pdf</a>  <a href="#">ER nov07 Macroecon policy Q&amp;A.pdf</a></p>

<p>The use of taxation and benefits to tackle poverty How might the state tax revenues to improve human capital Different public finances between countries eg wrt FDI incentives</p> <p><u>Monetary policy:</u> Role of the central bank Global factors affecting inflation eg wages, commodity prices</p> <p><u>External Shocks</u> Oil prices etc Could consider the effects of the credit crunch</p>	<p>5</p> <p>2</p>	<p>Key terms for fiscal policy are on the MLE – Students must construct their own definitions. Use sticky labels to stick a word on students forehead. Students must guess their word by asking other people questions, which can only be answered with yes or no</p> <p>Difference between Automatic Stabilisers and Discretionary expenditure Anderton (4<sup>th</sup> edition qtn 1 – 3 Unit 81 Edition 5 Unit 63) Hwk Review direct, indirect progressive and proportional</p> <p>UK deficit card sort De Bono Hats – Should Governments Spend their way out of a recession? Anderton (5th edition) Units 62 and 63 Macroeconomics for AS Level (A Threadgould) (<a href="http://www.ifs.org.uk">www.ifs.org.uk</a>) Institute for Fiscal Studies Virtual Economy on Bized: (<a href="http://www.bized.ac.uk">www.bized.ac.uk</a>) (The Virtual Economy can run on 2 levels – one is very simple and can be used to ensure that students have the basic knowledge. The other is a more challenging complete model)</p> <p>Understanding the European Union by Romer: Chapt. 12 <a href="http://www.statistics.gov.uk">www.statistics.gov.uk</a> <a href="http://www.bankofengland.co.uk">www.bankofengland.co.uk</a></p> <p><a href="http://business.guardian.co.uk/story/0,,2185754,00.html">http://business.guardian.co.uk/story/0,,2185754,00.html</a> Effect of credit crunch on the UK economy <a href="http://www.statistics.gov.uk">www.statistics.gov.uk</a> Unemployment statistics broken down by race, age and gender give an opportunity to discuss some opportunities related issues.</p> <p>A EME 15-18 <a href="http://www.oecd.org/dataoecd/0/51/41229145.pdf">http://www.oecd.org/dataoecd/0/51/41229145.pdf</a> <b>Economic Outlook for OECD countries</b></p> <p><a href="http://www.pwc.co.uk/eng/publications/uk_economic_outlook.html">http://www.pwc.co.uk/eng/publications/uk_economic_outlook.html</a> <b>PWC outlook</b></p>	<p><a href="#">ET mar03 Whats so Bad about inflation.pdf</a></p> <p>Data Response June 08 Data Response June 05 Data Response June 04 June 2007 Essay 2 June 2006 Essay 3</p> <p><a href="#">ET nov06 Falling Oil Reserves Market Forces or Gov Intervention.pdf</a> <a href="#">ET nov07 Promotion of Renewable Energy For and Against.pdf</a> DVD The Great Green Fuel Gamble Money Programme March 2008 <a href="#">Unit 6\External Shocks\Anforme 10 Topics Macro - Price of oil - global constraint.pdf</a> <a href="#">Unit 6\External Shocks\Implications of rise in price of oil.ppt</a></p> <p>Data Response June 08 Data Response June 05 Data Response June 04 June 2007 Essay 2 June 2006 Essay 3 Data Response June 02 Data Response June 03 June 2008 Essay 1(a) June 2007 Essay 3 June 2004 Essay 3 June 2003 Essay 2 June 2008 Essay 3</p>
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<p>Nature of trading blocs, conflict of objectives and the role of WTO</p>		<p>ii. Whether the UK should leave the EU</p> <p>Use a value continuum "The WTO is vital in order to remove barriers to trade &amp; thus stop poor countries from developing their economies"</p> <p>"The WTO may help generate a great wealth effect however, it needs to be reformed so that globalisation works for all"</p> <p>"Globalisation is destroying millions of livelihoods. The WTO should be disbanded"</p> <p>Get the class to stand on a line indicating their personal view point. Why have they stood there? Get the 2 extremes to talk to each other.</p>	<p><a href="#">A EME 6 Trade &amp; Protectionism.pdf</a>  <a href="#">A EME 8 IMF, World Bank, WTO.pdf</a>  <a href="#">ER sep06 US Protectionism and China.pdf</a>  <a href="#">ET sep03 Is International Trade a Barrier to Success.pdf</a>  Data Response June 05  Data Response June 03  June 2008 Essay 2(b)  June 2007 Essay 1  June 2006 Essay 1  June 2005 Essay 3  June 2004 Essay 2</p>
<p>Reasons for protectionism  Understanding of tariffs, quotas, subsidies to domestic producers and other non-tariff barriers  Tariff and quota diagrams  Evaluation of tariffs, quotas, subsidies, and protectionism in general on resource allocation.</p>	<p>1</p>	<p>Arguments for protectionism should include infant industries and employment protection.</p> <p>Students should be aware of current examples of protectionist measures, and consequent retaliation. Deadweight welfare loss triangles should be used on tariff/quota diagrams as part of their evaluation. Able students could be introduced to the ideas of David Ricardo regarding the benefits of free trade versus protectionism.</p> <p>Examine cases of protectionism currently in the news.</p>	<p>Anderton, chapters 40 and 103  Smith chapters 10 and 11  Tarrant — <i>Free trade and protectionism matching</i>  <a href="#">ER sep06 US Protectionism and China.pdf</a>  <a href="#">ET mar07 Econ Implications of Rise in Protectionism.pdf</a>  <a href="#">ET jan09 Should a Developing Country pursue a free trade policy.pdf</a></p>
<p><b><u>How is international trade recorded and financed?</u></b></p> <p>Components of the balance of payments account  Causes and effects of imbalances on the current account  Size of deficits or surpluses in a global context  Evaluation of measures to correct Global imbalances on the current account</p>	<p>5</p>	<p>Students should understand the components within the current account, and should be aware of which components record deficits or surpluses on the UK's BoP.</p> <p>Students should consider the size of deficits or surpluses on the current account in a global context, and examine the implications of large imbalances between countries.</p> <p>Measures to correct imbalances on the current account include expenditure- reducing, expenditure switching and supply- side policies; each of these should be evaluated and students should be encouraged to reach their own conclusions as to the most appropriate measure.</p> <p>Consider the importance of relative interest rates and inflation rates.</p> <p>Students should consider the option of doing nothing, in light of theory on floating exchange rates.</p>	<p>Anderton, Chapters 30, 94and 96 and Smith, Chapter 3  <a href="http://www.bized.co.uk/educators/16-19/economics/international/activity/trade.htm">http://www.bized.co.uk/educators/16-19/economics/international/activity/trade.htm</a>  <a href="http://www.tutor2u.net/economics">http://www.tutor2u.net/economics</a>  International Trade &amp; Globalisation by Smith pp10-13  <a href="http://www.census.gov/foreign-trade/Press-Release/current_press_release/press.html">http://www.census.gov/foreign-trade/Press-Release/current_press_release/press.html</a>  (USA Trade statistics)  <a href="http://www.census.gov/foreign-trade/Press-Release/current_press_release/ft900.pdf">http://www.census.gov/foreign-trade/Press-Release/current_press_release/ft900.pdf</a> p19  Released 11<sup>th</sup> Oct 9<sup>th</sup> November  <a href="http://www.statistics.gov.uk/">http://www.statistics.gov.uk/</a>  The Pink Book  <a href="http://www.oanda.com/convert/classic">http://www.oanda.com/convert/classic</a>  <a href="http://www.oecd.org/dataoecd/0/22/39485341.pdf">http://www.oecd.org/dataoecd/0/22/39485341.pdf</a> Published Oct 2007  International Trade and Globalisation Smith pp28-36  Data Response June 09</p>

			<p>Data Response June 08  Data Response June 04  June 2006 Essay 2  June 2004 Essay 1  June 2003 Essay 1</p> <p><a href="#">A EME 13 Balance of Payments.pdf</a></p>
<p><u>Determination of floating exchange rates</u>  The impact of appreciation/depreciation on an economy and competitiveness.  Significance of relative interest rates and relative inflation rates  Speculation  Marshall Lerner and J curve</p> <p><u>European Monetary Union – costs/benefits of the eurozone, effects on BoP, inflation, economic growth and unemployment.</u></p> <p>Specific knowledge of other monetary unions is not required</p>	<p>2</p> <p>3</p>	<p>Students should use foreign exchange market diagrams, and should understand causes of movements in the demand and supply curve.  The Marshall-Lerner condition and J-Curve effect could be applied to analysis of impacts of exchange rate changes.</p>	<p>Anderton, Chapters 93-96  Smith, Chapter 6  Tarrant— <i>Exchange rates cross out and Exchange rate systems matching</i>  June 2003 Essay 3  Understanding the European Union by Romer  Data Response June 09  The Economist's Big Mac Index  <a href="http://www.economist.com/markets/bigmac/">http://www.economist.com/markets/bigmac/</a>  <a href="#">A EME 12 Exchange Rates &amp; Systems.pdf</a></p>
<p><u>How does a County Compete?</u>  Measures of competitiveness  Relative labour costs and relative export prices  Influences on competitiveness – productivity, exchange rates, wage and non wage costs and regulation</p> <p><u>Supply Side Policies</u>  Policies to achieve</p>	<p>2</p>	<p>The falling competitiveness of the UK and other ‘developed’ economies in comparison to the Newly Industrialised Countries could be considered.  Students should be aware that competitiveness does not solely relate to price — quality is also important. This would be good opportunity to recap supply-side policies from Unit 2.</p> <p>Examine case studies of particular industries and see how they compete eg the car industry or textile industry.</p>	<p>Anderton, Chpt 97  Smith, Chapters 4 and 5  Understanding the European Union by Romer: Chapt.9  IMD World Competitiveness Yearbook:  <a href="http://www.geneva.ch/IMD_2008.htm">http://www.geneva.ch/IMD_2008.htm</a>  <a href="http://www.statistics.gov.uk/cci/nugget.asp?id=160">http://www.statistics.gov.uk/cci/nugget.asp?id=160</a>  <a href="#">ET mar07 Productivity Growth Effect on UK Performance.pdf</a>  <a href="#">ET mar09 Impact Supply side reforms had on UK Economy.pdf</a>  <a href="#">.ET jan05 Why the Power of Trade Unions has declined.pdf</a>  DVD on car manufacturing</p>

<p>macroeconomic objectives - esp economic growth) and to improve competitiveness Deregulation, education and training and incentives for investment Impact of exchange rates on competitiveness Problems facing policy makers Inaccurate information, risk, uncertainty.</p>	3		<p><a href="#">.A EME 14 International Competitiveness.pdf</a> Data Response June 2008 Data Response June 06 June 2008 Essay 1 (b) June 2005 Essay 2</p>
<p><b><u>What is poverty and inequality in developed and developing countries?</u></b> Definitions of absolute and relative poverty Measurements of inequality - Lorenz Curves and Gini coefficients Characteristics of LEDCs Causes and consequences of poverty in developed and developing countries and related issues eg the extent to which inequality is an essential ingredient of capitalism</p>	4	<p>"if you have food in the refrigerator, clothes on your back, a roof over your head and a place to sleep... you are richer than 75% of this world" <a href="http://www.getty.edu/education/teacherartexchange/archive/Dec00/0519.html">http://www.getty.edu/education/teacherartexchange/archive/Dec00/0519.html</a></p> <p>Students' understanding often benefits from actually drawing Lorenz curves from a data set.</p>	<p>Anderton, Chapters 27, 68, 69 and 99 Tarrant — <i>Welfare economics and income distribution bingo</i> and <i>Causes of and solutions to poverty triominoes</i></p>
<p><b><u>What are the limits to growth and development in developed and developing countries?</u></b> The difference between growth and development Causes of low rates of growth and development  Limits to growth and development - poor</p>	6	<p>Use of Human Development Index, and other measures that are important in measuring quality of life. The specification provides a detailed outline of the causes of low growth rates — students should understand the nature and consequences of each of these. Case studies are important — it might be useful to analyse causes of rapid growth in countries such as China and India as a contrast. Use one case study from each continent – Africa, Asia, South America, North America and Europe.</p> <p>Paper carousel Assess the impact of re-locating production to a developing country (resources, impact on environment, cultural impact. Winners losers. Location</p>	<p>Anderton Chpt <a href="#">ET Jan05 How Well does the HDI Measure the level of Development.pdf</a>  Video <a href="#">\ET jan08 Does Economic Growth Guarantee Economic Development.pdf</a> <a href="#">ET mar08 Economic Growth Always Beneficial.pdf</a>  <a href="#">A EME 11 FDI &amp; Multinationals.pdf</a> <a href="#">Unit 6\MNCs FDI\Anforme 10 Topics Macro - FDI UK</a></p>

<p>infrastructure, human capital inadequacies, primary product dependency, savings gap, inadequate capital accumulation, foreign currency gap, capital flight, corruption, population issues, debt, poor governance and civil wars.</p>			<p><a href="#">Receipient.pdf</a></p> <p>Data Response June 07</p>
<p><b><u>What other measures can be used to promote growth and development?</u></b> Theories of growth and development Evaluation of measures to promote growth and development. The following strategies should be considered in relation to some theoretical framework, eg market orientated approaches, structural change theories, international dependence theories. Aid, debt relief, development of human capital, inward/outward looking strategies, free market/government intervention approaches, industrialization, development of tourism, agriculture, microfinance, fair trade schemes ,role of international financial institutions and non-governement organizations in promoting growth and development.</p>	<p>6</p>	<p>An extensive list of measures to promote growth and development is provided in the specification. Students should understand the nature of each of these, and be able to evaluate them, remembering that different measures will be valid depending on the nature of the country requiring assistance (eg degree of political stability/corruption, or sophistication of transport and communication links). There is significant debate regarding the impact of fair trade schemes, particularly with respect to the coffee market — much of the literature on this is available on the internet.</p> <p><b>Extension (not specifically mentioned in the specification)</b> Students could be introduced to some of the theories of growth and development, such as: Harrod- Domar, Solow, Rostow’s Stages of Growth, and the Lewis teo-sector model. The role of institutions such as the IMF could be considered,</p>	<p>Anderton, Chapters 102- 104 Smith, Chapters 13-15 Tarrant — <i>External assistance for development missing words and Models of economic growth playyour cards right</i> <a href="#">.ET nov08 Trade Liberalisation and Overseas Aid Development.pdf</a> ET Nov 03, page 22 — <i>Arguments for and against foreign aid</i> — Mapplebeck ET Sep 06, page 11 — <i>Economic development and the environment</i> — Mallard ER Apr 07, page 14 — <i>Fiscal policy to eradicate child poverty</i> — Shaw</p> <p>Economic Review Development Profiles <a href="http://www.southampton.ac.uk/socsci/economics/ecreview/TC214.html">http://www.southampton.ac.uk/socsci/economics/ecreview/TC214.html</a></p>

<p>Students should consider which theory might be most appropriate with reference to a particular economy.</p> <p>The use of microfinance and fair trade schemes.</p>	<p>and the World Bank's Structural Adjustment Programmes (with reference to Uganda as the first 'success'). Able students could also consider whether growth and development is actually desirable, since it may be accompanied by a number of negative externalities. The activities of pressure groups such as Jubilee 2000 could be examined. The dependence of countries such as Ethiopia on aid handouts and humanitarian relief could be evaluated as an example.</p>	
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