

AS/A Level Economics 9708

UNIT 11: Macroeconomic Problems and Policies (2)

Recommended Prior Knowledge This Unit builds on Units 5, 6 and 7 of the Core curriculum and on the previous Unit of the Supplement curriculum.

Context The material follows on from the previous Unit on Theory and Measurement in the Macroeconomy and brings the course to a conclusion by focusing on the main macroeconomic problems and the effectiveness of the various policies that could be adopted to try and overcome such problems.

Outline The Unit begins with an analysis of economic growth and development, including the factors contributing to economic growth, the costs and benefits of growth and the characteristics of developing economies. It then examines the different types of unemployment and the causes and consequences of unemployment and goes on to consider the relationships between the internal and external value of money, the balance of payments and inflation and between unemployment and inflation. It then considers the various policies that could be adopted to try and overcome these problems, including fiscal policy, monetary policy, exchange rate policy and supply side policy. The Unit ends with a consideration of the possible conflicts between the various policy objectives and an evaluation of the policy options to deal with these problems.

	Learning Outcomes	Suggested Teaching Activities	Online Resources	Other resources
6 a	Candidates should understand the meaning of the concepts of economic growth and development. They should focus on the following: i. Candidates should be able to give a definition of economic growth and development ii. They should have an understanding of the indicators of comparative development and underdevelopment in the world economy, including economic, monetary, non-monetary and demographic factors	Students need to be able to clearly distinguish between the concepts of growth and development; a useful starting point would be for them to work in groups and consider exactly what is involved in the idea of development, so that they can see how it differs from growth, and then report back to the whole class Anderton (page 679) and Gillespie (page 97) have useful distinctions between the first, second and third world countries Each student should research one particular developed country and one underdeveloped country and give a presentation to the whole class on what they found out, pointing out the differences in the level of development The self-assessment tasks in Bamford (page 236) on the characteristics of developing countries are very useful	Bized: Economic Growth Tutor2u: Economic Growth Jusbiz: Economic Growth, Development and Poverty Tutor2u: Development Economics Tutor2u: Categorising Countries Jusbiz: Does Economic Growth Benefit the Poor? Worldbank: Topics in Development Bized: Virtual Developing Country Tutor2u: Economics of Development Tutor2u:	Bamford, Chapter 12, pages 229-231 Anderton, Unit 24, page 151 Anderton, Unit 26, pages 164-172 Anderton, Unit 99, page 679 Stanlake, Chapter 30, pages 285-286 Gillespie, pages 105-106 and 97-101 Bamford, Chapter 12, pages 231-236 Anderton, Unit 99, pages 679-685 Stanlake, Chapter 65, pages 615-616 Gillespie, pages 97-101

<p>iii. Candidates should understand the characteristics of developing economies: population growth and structure, income distribution, economic structure, employment composition, external trade and urbanisation in developing economies and the nature of dependency, including the role of multi-national corporations and external debt</p>	<p>The information obtained from the research will be useful in enabling students to build up a picture of what is meant by a developing country Anderton has a useful summary of some of the main factors which affect the level of development of a country (pages 680-685) and the data questions on Mozambique, Chile, Egypt, Tanzania and Romania which follow the tables (page 685) are helpful There is also a useful data question on Egypt in Anderton (pages 690-691) and a case study on health in Stanlake (page 624) The Jusbiz website has an interesting role play on international debt</p>	<p>Measuring Standard of Living Tutor2u: Limitations of GDP as a Measure of Living Standards Tutor2u: United Nations Human Poverty Index Tutor2u: Less Developed Countries Imf: Country Information Imf: World Economic Outlook Jusbiz: Virtual Developing Country Worldbank: Data on Member Countries Jusbiz: Borderless Business – Transnationals and the Global Economy Jusbiz: The Missing Link – Debt and Trade Jusbiz: International Debt Role Play Bized: Causes of Economic Growth Tutor2u: Benefits of Economic Growth Tutor2u: Costs of Economic Growth Tutor2u: Sustainable Economic Growth Bized: Costs of Economic Growth- Who pays?</p>	<p>Bamford, Chapter 12, pages 231-236 Anderton, Units 99 and 100, pages 679-691 Stanlake, Chapter 65, pages 615-625 Gillespie, pages 97-101</p> <p>Bamford, Chapter 12, page 236 Anderton, Unit 26, pages 164-165 Stanlake, Chapter 53, pages 512-513 Gillespie, page 105</p> <p>Bamford, Chapter 12, pages 236-238. Anderton, Unit 26, pages 165-172 Stanlake, Chapter 53, pages 513-514 Gillespie, pages 105-106</p> <p>Bamford, Chapter 12, pages 238-240 Anderton, Unit 27, pages 172-179 Stanlake, Chapter 53, pages 514-515 Gillespie, page 105</p>
<p>iv. Candidates should have an understanding of the distinction between actual and potential growth in national output</p>	<p>The distinction between actual and potential growth is best explained by a production possibility diagram, such as in Bamford (page 236) or Stanlake (page 513)</p>	<p>Jusbiz: Borderless Business – Transnationals and the Global Economy Jusbiz: The Missing Link – Debt and Trade Jusbiz: International Debt Role Play Bized: Causes of Economic Growth Tutor2u: Benefits of Economic Growth Tutor2u: Costs of Economic Growth Tutor2u: Sustainable Economic Growth Bized: Costs of Economic Growth- Who pays?</p>	<p>Bamford, Chapter 12, page 236 Anderton, Unit 26, pages 164-165 Stanlake, Chapter 53, pages 512-513 Gillespie, page 105</p>
<p>v. They should understand the factors contributing to economic growth</p>	<p>Students should work in groups and consider what they think would be the major factors explaining why the growth rate of some countries is much higher than that of other countries and then report back to the whole class Anderton has a useful summary of the factors affecting the UK's growth rate (pages 167-171)</p>	<p>Jusbiz: The Missing Link – Debt and Trade Jusbiz: International Debt Role Play Bized: Causes of Economic Growth Tutor2u: Benefits of Economic Growth Tutor2u: Costs of Economic Growth Tutor2u: Sustainable Economic Growth Bized: Costs of Economic Growth- Who pays?</p>	<p>Bamford, Chapter 12, pages 236-238. Anderton, Unit 26, pages 165-172 Stanlake, Chapter 53, pages 513-514 Gillespie, pages 105-106</p>
<p>vi. Candidates should understand the costs and benefits of growth, including using and conserving resources</p>	<p>Students should research the relative costs and benefits of economic growth (the Tutor2u website will be very helpful as a starting point) and then have a debate on the topic</p>	<p>Jusbiz: The Missing Link – Debt and Trade Jusbiz: International Debt Role Play Bized: Causes of Economic Growth Tutor2u: Benefits of Economic Growth Tutor2u: Costs of Economic Growth Tutor2u: Sustainable Economic Growth Bized: Costs of Economic Growth- Who pays?</p>	<p>Bamford, Chapter 12, pages 238-240 Anderton, Unit 27, pages 172-179 Stanlake, Chapter 53, pages 514-515 Gillespie, page 105</p>

b	<p>Candidates should have an understanding of unemployment</p> <p>i. Candidates should understand the meaning of full employment and the natural rate of unemployment</p> <p>ii. Candidates should have an understanding of the causes of unemployment</p> <p>iii. Candidates should understand the consequences of unemployment</p>	<p>Students should work in groups and consider the various reasons why a person might be out of work and then report back to the whole class They also need to consider why it might actually be quite difficult to establish precisely just how many people may be out of work in a particular country; Anderton is very good on the different measures of unemployment (pages 188-189)</p> <p>They should also consider some of the possible reasons why certain countries have much higher rates of unemployment than other countries The self-assessment tasks in Bamford (page 242) and the data response questions in Stanlake (page 541) are useful</p> <p>Students should work in groups and discuss the consequences of unemployment, both for the people concerned and for the economy as a whole, and then report back to the class</p>	<p>Tutor2u: Measuring Unemployment S-cool: Unemployment Tutor2u: The Natural Rate of Unemployment S-cool: Can the Natural Rate of Unemployment change? S-cool: The Main Types of Unemployment Tutor2u: The Causes of Unemployment Tutor2u: The Economic and Social Costs of Unemployment</p>	<p>Bamford, Chapter 12, pages 241-242 Anderton, Unit 29, pages 186-190 Anderton, Unit 86, pages 581-588 Stanlake, Chapter 56, pages 531-542 Gillespie, pages 76-79</p>
c	<p>Candidates should understand the inter-connectedness of problems They should be aware of the links between macroeconomic problems and their interrelatedness, for example</p> <ul style="list-style-type: none"> • the relationship between the internal and external value of money • the relationship between the balance of payments and inflation • the relationship and trade-off between inflation and unemployment 	<p>Students should work in groups and consider why and how the different macroeconomic problems are related; ideally, they should divide into three groups, with each one focusing on a particular relationship, and then give a presentation to the whole class The self-assessment tasks on the relationship between unemployment and inflation in Bamford (page 244) are useful Anderton has a lot of helpful information on the Phillips Curve (pages 593-595) and some useful data on unemployment and inflation in selected countries Stanlake has an interesting case study on the links between inflation and unemployment.</p>	<p>Tutor2u: The Phillips curve Tutor2u: The Phillips Curve and the NAIRU S-cool: The Phillips Curve</p>	<p>Bamford, Chapter 12, pages 243-244 Anderton, Unit 87, pages 589-595 Stanlake, Chapter 59, pages 564-571 Gillespie, page 80</p>

7 a	Candidates should understand the objectives of macroeconomic policy, such as stabilisation and growth	Students need to be aware of the different macroeconomic objectives; they should work in groups, consider why governments might wish to intervene in the macroeconomy and then give a presentation to the whole class There are useful summaries of the different objectives in Bamford (page 246) and Stanlake (pages 284-286)	Tutor2u: The Objectives of Macroeconomic Policy S-cool: The Main Macroeconomic Objectives S-cool: The Importance of Macroeconomic Objectives	Bamford, Chapter 13, page 246 Anderton, Unit 24, pages 151-155 Stanlake, Chapter 30, pages 284-289
b	Candidates should have an understanding of the various policies towards developing countries that could be adopted, including policies of trade and aid	Students should choose a particular developing country and try and find out as much as possible about the policies of trade and aid that apply to it and then give a presentation to the whole class; the World Bank and IMF websites will be particularly useful Anderton has a very detailed account of aid (pages 716-726) and useful data response questions on aid to developing countries	Tutor2u: Potential Gains from Trade Imf: Country Information Worldbank: Data on Member Countries	Bamford, Chapter 13, pages 246-251 Anderton, Units 103 and 104, pages 710-727 Stanlake, Chapter 65, pages 615-625 Gillespie, pages 99-101
c	Candidates should understand the different types of policy, including the aims and instruments of each policy and how each is used to control inflation, stimulate employment, growth and development and correct balance of payments disequilibrium They should also be able to assess the effectiveness of each of the policies: i. Fiscal Policy ii. Monetary Policy	Students need to understand the key features of each of the four types of policy; they need to work in groups and research how one particular country has used these policies to achieve its objectives and assess how effective were the policies Alternatively, they could divide into four groups with each one examining the ways in which these policies have been operating in their own country to try and achieve particular macroeconomic objectives The group research would be followed by a presentation to the rest of the class The self-assessment tasks in Bamford (pages 252-255) are very useful Anderton has some helpful material in the	S-cool: Inflation Tutor2u: Policies to Control Inflation Tutor2u: Policies to Reduce Unemployment Bized: Economic Growth Policies Bized: Unemployment Policy Bized: Inflation Policy Tutor2u: Government Policy towards the Balance of Payments Bized:	Bamford, Chapter 13, pages 251-257 Anderton, Units 36-39, pages 234-262 Anderton, Units 79-81, pages 528-551 Anderton, Unit 85, pages 571-580 Anderton, Unit 88, pages 596-603 Anderton, Units 91-92, pages 619-629

	<p>iii. Exchange Rate Policy</p> <p>iv. Supply side policy</p>	<p>Applied Economics sections, such as on unemployment policy (pages 599-601) and the control of inflation (pages 614-617)</p> <p>Stanlake has useful data response questions and case studies on economic growth (pages 529-530), unemployment (pages 550-552), inflation (pages 579-581) and the balance of payments (pages 586-587)</p>	<p>Using Fiscal Policy Tutor2u: Fiscal Policy S-cool: Fiscal Policy Bized: Using Monetary Policy Tutor2u: Monetary Policy S-cool: Monetary Policy Tutor2u: Economic Effects of a Depreciating Currency S-cool: The Exchange Rate and the Balance of Payments Tutor2u: Supply Side Economics</p>	<p>Anderton, Unit 96, pages 653-660</p> <p>Stanlake, Chapters 32-35, pages 296-334</p> <p>Stanlake, Chapter 51, pages 488-500</p> <p>Stanlake, Chapter 55, pages 526-530</p> <p>Stanlake, Chapter 57, pages 543-552</p> <p>Stanlake, Chapters 60-61, pages 572-588</p> <p>Gillespie, pages 64-72, 82 and 88-9</p>
d	<p>Candidates should understand the conflicts between policy objectives and be able to evaluate policy options to deal with problems</p>	<p>Students need to consider the possible difficulties of trying to achieve particular policy objectives in terms of the potential trade-offs in other areas; they should work in groups and think of examples of such trade-offs, followed by a presentation to the whole class</p>	<p>S-cool: Conflicts between Macroeconomic Objectives</p>	<p>Bamford, Chapter 13, pages 257-258</p> <p>Anderton, Unit 92, pages 626-629</p> <p>Stanlake, Chapter 62, pages 589-593</p>