

## AS/A Level Economics 9708

### Unit 5: International trade problems and policies

#### Recommended Prior Knowledge

The balance of payments, government intervention in trade and the price mechanism.

#### Context

The Unit completes the consideration of international trade by considering the problems which arise and how governments attempt to solve them.

#### Outline

The Unit identifies the different types of exchange rate and explains how the exchange rate is set. The factors which cause changes in the exchange rate and the effects of changes are examined. The meaning, causes and results of a balance payments disequilibrium are considered before analysing the methods governments may use to correct the disequilibrium and stabilise exchange rates.

AO	Learning outcomes	Suggested Teaching activities	Learning resources
6	Candidates should understand the different measures of the exchange rate	compare the different measures of the exchange rate to show their particular nature	Anderton Units 39, 93, 94 and 95 Bamford Chap 6 Gillespie Pages 88, 89 and 90 Stanlake Chap 51 Bized Learning materials Economics Topic 11, International economics; virtual developing country trade field trip; virtual learning arcade S-cool What is an Exchange Rate? S-cool How is the Exchange Rate determined? S-cool Exchange Rate Systems Tutor2u Introduction to Currency Valuation Tutor2u Global Foreign Exchange Markets

AO	Learning outcomes	Suggested Teaching activities	Learning resources
	<ul style="list-style-type: none"> <li>explain how exchange rates are set under floating , fixed and managed systems and be aware of the prevalence of different systems</li> </ul>	use demand and supply analysis to show the setting of a floating rate	Tutor2u Fixed and Floating Exchange Rates
	<ul style="list-style-type: none"> <li>show the setting of exchange rates in supply and demand diagrams</li> </ul>	case study of the development of the international exchange rate system	
	<ul style="list-style-type: none"> <li>evaluate the alternative systems</li> </ul>	produce checklist and apply to compare the systems in terms of flexibility effectiveness, discipline, side-effects etc.	
	Candidates should analyse the factors which affect the exchange rate	apply influences via demand and supply analysis to show changes in equilibrium	
	<ul style="list-style-type: none"> <li>show how fluctuations in the exchange rate impact upon the economy</li> </ul>	research recent trends in local exchange rate analyse the links to the real economy, prices and employment	
7	Candidates should show how a government may influence the rate of exchange	use demand and supply analysis to show impact of foreign exchange market intervention	Anderton Unit 39 Bamford Chap 6 Gillespie Page 90 Stanlake Chap 51 S-cool The Marshall Lerner Condition Tutor2u Economic Effects of a Depreciating Currency Tutor2u Economic Effects of a Strong Currency
	<ul style="list-style-type: none"> <li>be familiar with the Marshall-Lerner condition</li> </ul>		

AO	Learning outcomes	Suggested Teaching activities	Learning resources
6	<ul style="list-style-type: none"> <li>evaluate the effectiveness of exchange rate policy</li> </ul> <p>Candidates should understand the meaning of equilibrium and disequilibrium in the balance of payments</p>	<p>judge the policy against checklist of desirable qualities</p> <p>study balance of payments figure over time</p>	<p>Anderton Units 30 and 96  Bamford Chap 6  Gillespie Pages 92 and 93  Stanlake Chap 61  Bized Virtual developing country trade field trip  IMF World Economic Outlook and balance of payments data  S-cool Problems of Balance of Payments Disequilibria</p>
	<ul style="list-style-type: none"> <li>understand how a disequilibrium may arise analyse the effects of a disequilibrium on the economy and its position globally</li> </ul>	<p>e.g. USA, Japan and other particular countries</p> <p>compare economic characteristics and performance of surplus and deficit countries discuss ion on the problems of running a deficit</p> <p>case study of deficit country</p>	
7	<p>Candidates should understand the different policy approaches</p>	<p>produce grid to contrast nature, targets, advantages and disadvantages of the different policies.</p>	<p>Anderton Unit 96  Bamford Chap 7  Gillespie Pages 90 and 93  Stanlake Chap 61  Bized Learning materials Economics Topic 11, International economics; virtual developing country trade field trip  IMF World Economic Outlook  S-cool How does a government reduce</p>

AO	Learning outcomes	Suggested Teaching activities	Learning resources
	<ul style="list-style-type: none"> <li>show how demand management, supply side and exchange rate policies operate to correct a balance of payments disequilibrium</li> <li>evaluate the effectiveness of the different policies used to improve the balance of payments</li> </ul>	<p>judge the policies against checklist of desirable qualities</p> <p>balance of payments policy game</p> <p>produce grid to contrast nature, targets, advantages and disadvantages of the different policies.</p>	<p>a balance of payments deficit? Tutor2u Government policy towards the Balance of Payments</p>