

Subject		Year	Term
Economics (macro)		Year 13	4
Topic			
How the macroeconomy works (4.2.2)			
Content (Intent)			
Prior Learning – These topics have been covered thoroughly in Year 12.			
4.2.2.1	The circular flow of income	<ul style="list-style-type: none"> • What national income measures. • The difference between nominal and real income. • Real national income as an indicator of economic performance. • The circular flow of income concept, the equation $income = output = expenditure$, and of the concepts of equilibrium and full employment income. • The difference between injections and withdrawals into the circular flow of income. • The effect of changes in injections and withdrawals on national income. 	
4.2.2.2	Aggregate demand and aggregate supply analysis	<ul style="list-style-type: none"> • Changes in the price level are represented by movements along the aggregate demand (AD) and aggregate supply (AS) curves. • The various factors that shift the AD curve and the short-run AS curve. • The factors which affect long-run AS and distinguish them from those which affect short-run AS. • Underlying economic growth is represented by a rightward shift in the long-run AS curve. • How to use AD/AS diagrams to illustrate macroeconomic equilibrium. • How both demand-side and supply-side shocks affect the macroeconomy 	
4.2.2.3	The determinants of aggregate demand	<ul style="list-style-type: none"> • What is meant by AD. • The determinants of AD, ie the determinants of consumption, investment, government spending, exports and imports. • The basic accelerator process. • The determinants of savings. • The difference between saving and investment. 	
4.2.2.4	Aggregate demand and the level of economic activity	<ul style="list-style-type: none"> • The role of AD in influencing the level of economic activity. • The multiplier process and an explanation of why an initial change in expenditure may lead to a larger impact on local or national income. 	

		<ul style="list-style-type: none"> • The concept of the marginal propensity to consume and use the marginal propensity to consume to calculate the size of the multiplier. • Why the size of the marginal propensity to consume determines the magnitude of the multiplier effect.
4.2.2.5	Determinants of short-run aggregate supply	<ul style="list-style-type: none"> • The price level and production costs are the main determinants of the short-run AS. • Changes in costs, such as: money wage rates, raw material prices, business taxation and productivity, will shift the short-run AS curve.
4.2.2.6	The determinants of long run aggregate supply	<ul style="list-style-type: none"> • The fundamental determinants of long-run AS such as technology, productivity, attitudes, enterprise, factor mobility, and economic incentives. • The position of the vertical long-run AS curve represents the normal capacity level of output of the economy. • The importance of the institutional structure of the economy in determining aggregate supply, such as the role of the banking system in providing business investment funds should also be understood. • The Keynesian AS curve.

Future Learning – Many of the concepts and principles link into other areas of the macroeconomics syllabus as they impact the ability of the economy to meet its macroeconomic objectives.

How will knowledge and skills be taught?
(Implementation)

How will your understanding be assessed & recorded (Impact)

This topic will involve links to the four assessment objectives throughout and will include, but not be limited to:

- Teacher led lesson content
- Independent learning tasks
- Group discussion/debates and questioning
- Using economic terminology
- Reference to economic examples throughout

- Past Paper responses and essays. Marked and feedback given.
- Verbal responses. Individual and class feedback given.

How can parents help at home?

- Discussing ideas and content at home & linking it to real world situations that they are aware of.
- Watch the news and/or read a good quality newspaper
- Watch any topical films or documentaries that link to economics e.g. Panorama, dispatches etc.
- Support us with our department's high expectations of spelling, grammar, punctuation, and minimum standards.

Helpful further reading/discussion

Reading

- Economics A level textbooks
- Tutor 2u website and YouTube channel
- www.econplusedal.com
- <https://www.tutor2u.net/>
- BBC website for current economics articles

Vocabulary Key Words

- National income
- Circular flow of income
- Injections
- Withdrawals
- Aggregate demand
- Consumption
- investment
- Government spending
- Exports and imports

Careers Links

A level economics develops skills and knowledge that help in a wide range of careers. An understanding of how changes in economic variables impacts the economic environment that firms operate in is useful for careers in a

	<ul style="list-style-type: none">• Short-run aggregate supply• Long-run aggregate supply• The accelerator process• The multiplier effect• Marginal Propensity to Consume• marginal propensity to save• savings• productivity• factor mobility• Keynesian AS curve	<p>wide range of industries. Data handling and interpretation skills, along with the ability to construct alternative arguments to a problem before drawing conclusions are valued in many careers.</p>
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