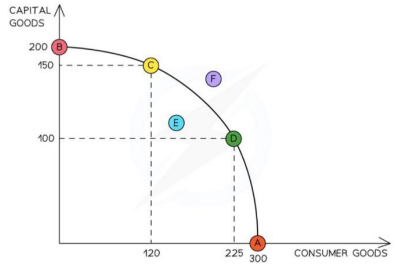
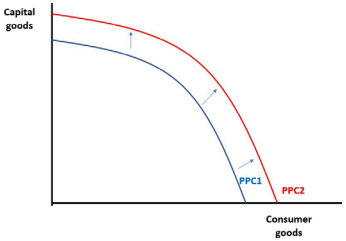
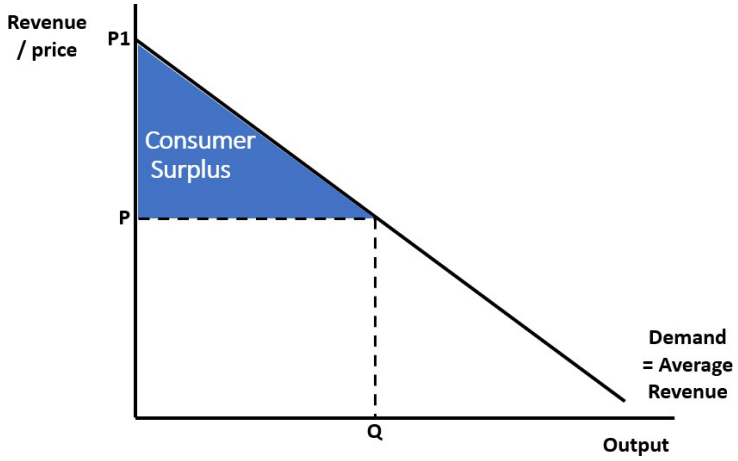
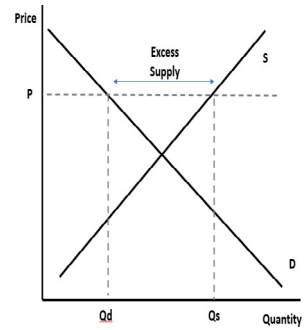
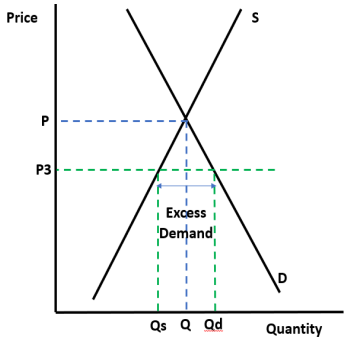
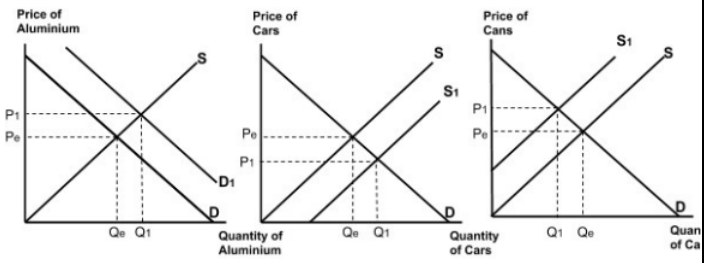
SJBC Curriculum Termly Plan: Economics

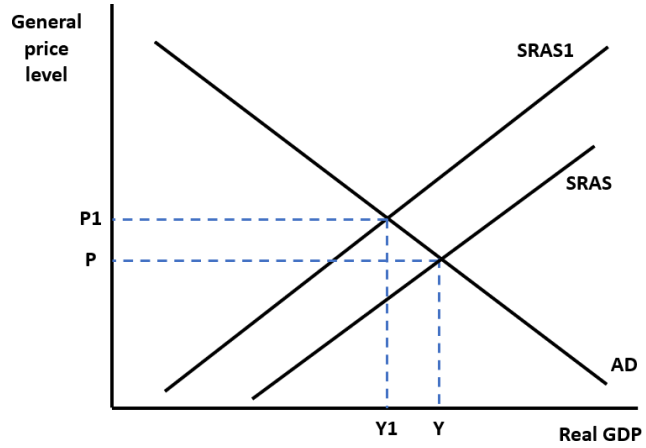
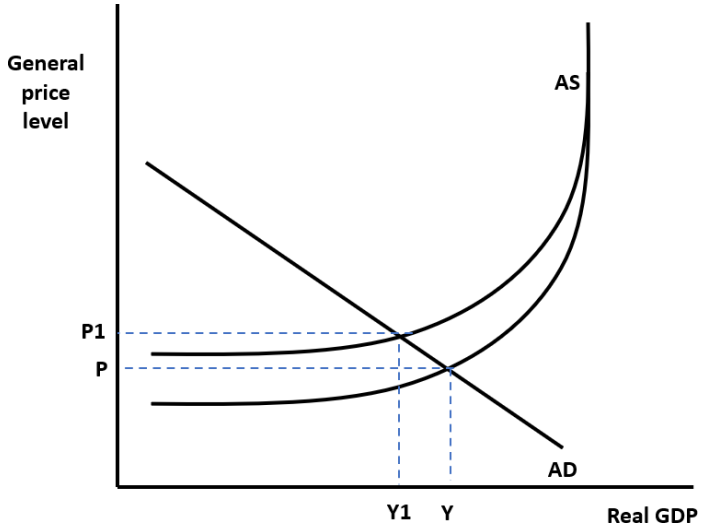
Term	Topic(s) and links to other subjects	Core Knowledge	Core Definitions And Diagrams	Assessment	Resources
Autumn 1	**<u>Microeconomics Chapter 1</u>** *The fundamental economic problem *Opportunity cost	Students should be able to: • explain what is meant by economic goods and free goods • explain and evaluate the basic economic problem in terms of scarcity, making choices, needs and wants • distinguish between positive and normative statements • explain the role of economic agents, and evaluate rationality as a way of understanding their objectives and behaviour • explain the production process, factors of production and the reward earned by each factor of production • explain opportunity cost and what is meant by a trade-off • explain, with the aid of a diagram ○ movement along a production possibility curve (PPC) ○ shifts of a production possibility curve ($PPPPPP_1$ *tttt* $PPPPPP_2$) ○ usefulness of the concept of opportunity cost  "making more consumer goods means making fewer capital goods"  "expanding the labour force shifts $PPPPPP_1$ *tttt* $PPPPPP_2$ "	➢ Scarcity ➢ Economic goods ➢ Free goods ➢ Poverty ➢ Positive statement ➢ Normative statement ➢ Value judgement ➢ Economic Agents ○ Firms ○ Households ○ Governments ➢ Rationality ➢ Utility/satisfaction ➢ Objectives ➢ Factors of production (rewards) ○ Labour (wages/salaries) ○ Capital (interest) ○ Enterprise (profit) ○ Land (rent) ➢ Opportunity cost ➢ Production Possibility Curve (PPC) ➢ Trade-off ➢ Capital goods ➢ Consumer goods ➢ Long-run economic growth ➢ Incentives ➢ Resource allocation ➢ Capitalism	Green Book: Knowledge Checks Exercises End of chapter test OCR Definition test Diagram test Comprehension test Writing test	

	Microeconomics Chapter 2 *Allocation of Resources **Macroeconomics Chapter 19** *The circular flow of income model ***** Measuring National Income, Output and Expenditure	Students should be able to: • define an economy • explain what is meant by incentives • explain what is a market • explain the price mechanism in the context of Adam Smith's invisible hand • evaluate the effectiveness of incentives on the behaviour of economic agents • evaluate the effectiveness of incentives on resource allocation • explain market, planned and mixed economic systems • evaluate the allocation of resources in the different economic systems • explain what is meant by specialisation and division of labour • explain specialisation using production possibility graphs • evaluate the role of specialisation and the division of labour in addressing the problem of scarcity, including its risks • explain barter systems • explain money as a medium of exchange Basic Skills: □ Drawing and interpreting economic graphs □ Economic writing – define, explain, evaluate □ Applying economics to case studies and examples ***<u>Extension material:</u>*** *Paul Samuelson's fundamental questions about production: What? How? For Whom?* Students should be able to: • explain what is meant by macroeconomics • explain the model of the circular flow of income ○ simplified ○ with injections and leakages • explain methods of measuring national income, output and expenditure, and other macroeconomic indicators	➢ Market ➢ Invisible hand (Price mechanism) ➢ Market economy ➢ Centrally planned economy ➢ Mixed economy ➢ Specialisation ➢ Division of labour ➢ Barter system (duality of wants) ➢ Money as a medium of exchange <u>Macro</u> ➢ Circular flow of income, output and expenditure ➢ Leakages ➢ Injections ➢ Government ➢ Taxes ➢ Exports ➢ Imports ➢ Investment ➢ Savings ➢ GDP		

Autumn 2	**<u>Microeconomics Chapter 3</u>** *Demand * Consumer Surplus	Students should be able to: • explain the price and non-price factors that influence individual and market demand for a product • explain, with the aid of a diagram, the demand curve illustrating the law of demand i.e., the fundamental relationship between the price of a product and the quantity demanded • explain ceteris paribus, critical assumptions in economic models • explain movements along the demand curve (extensions or contractions) • explain shifts of the demand curve (increases or decreases in demand at any given price) • explain consumer surplus, and the effects of changes in price on consumer surplus, using a diagram • evaluate the impacts of changes in price on consumer surplus • evaluate the impacts of changes in consumer incomes on demand for products – including the impacts on demand for different types of goods: normal goods and inferior goods. • evaluate the impacts of changes in prices of related goods on demand: substitutes and complements. • Related markets: explain, with the aid of a diagram, the effects of changes in demand on related markets – joint demand, composite demand, competitive demand and derived demand  	<u>Micro</u> ➢ Demand ➢ Joint Demand ➢ Composite demand ➢ Competitive demand ➢ Derived Demand ➢ Ceteris paribus ➢ Law of Demand ➢ Demand Curve ➢ Normal goods ➢ Inferior goods ➢ Substitutes ➢ Complements ➢ Consumer Surplus <u>Macro</u>		

	<u>Macroeconomics Chapter 19</u> ***Aggregate Demand**	Students should be able to: • explain the components of aggregate demand • explain, with the aid of a diagram, the relationship between aggregate demand and the price level • explain shifts in the aggregate demand curve • evaluate the relationship between changes in income and consumption – the consumption function • evaluate the role of expectations on consumption and investment, including speed of adjustment • explain, in outline, the impacts on GDP and investment arising in the UK from the 2008 financial crisis	AD = C + I + G + (X-M) ➢ Consumption ➢ Disposable Income ➢ Rate of interest ➢ Consumption Function ➢ Investment ➢ Expectations ➢ Aggregate Demand (AD) Curve ➢ Wealth Effect		
	<u>Microeconomics Chapter 4</u> * Supply * Producer Surplus	Students should be able to: • explain, with the aid of a diagram, the relationship between price and quantity supplied in a market • explain the distinction between individual and market supply • explain, with the aid of a diagram, movements along a supply curve (extension/contraction) as market price changes • explain, with the aid of a diagram, shifts of the supply curve (increases of decreases of supply at any given price) • explain what is meant by technology in economics • explain, with the aid of a diagram, joint and competitive supply • explain, with the aid of a diagram, producer surplus • explain, and evaluate, the impacts of change in price on producer surplus • explain, with the aid of a diagram, how social welfare from economic activities reflects consumer and producer surplus	<u>Micro</u> ➢ Competitive market ➢ Supply curve ➢ Competitive supply ➢ Joint Supply ➢ Producer Surplus ➢ Social Welfare		
	<u>Macroeconomics Chapter 20</u> ***Aggregate Supply**	Students should be able to: • explain aggregate supply (AS) • explain, with the aid of a diagram, the relationship between aggregate supply and price level in the short run and long run • explain, with the aid of a diagram, shifts in the aggregate supply curve in the short run and long run • explain, with the aid of a diagram, the Keynesian and neoclassical approaches to aggregate supply	<u>Macro</u> ➢ Short-run aggregate supply (SRAS) curve ➢ Neo-classical economists ➢ Monetarist school ➢ Natural rate of output ➢ Keynesian School ➢ Long-run aggregate supply (LRAS) curves		

	Microeconomics **Chapter 5** **The interaction of Markets**	Students should be able to: • explain, with the aid of a diagram, the interaction of demand and supply • explain, with the aid of a diagram, market equilibrium and disequilibrium • evaluate the impact of changes in demand and/or supply in one market on a related market (utilising concepts of joint demand, composite demand, competitive demand, derived demand, joint supply, competitive supply).    ***Extension materials:*** ○ *Alfred Marshall (1842-1924), 'Marshallian cross' diagram; scissor analogy; consumer and producer surplus.* ○ Income and substitution effects, Snob effects, Giffen goods ○ Consumer Expenditure theories: Friedman's Permanent Income Hypothesis and Modigliani's Life Cycle Hypothesis. ○ Monetarists: convergence at the natural rate of output	Micro ➢ Market equilibrium ➢ Market disequilibrium ○ Excess supply ○ Excess demand ➢ Related market		

	<u>Macroeconomics Chapter 20</u> ***The interaction of aggregate demand and aggregate supply**	 	<u>Macro</u> ➢ Macroeconomic Equilibrium ➢ LRAS graph – neoclassical view ➢ LRAS graph - Keynesian view ➢ Macroeconomic Indicators/objectives ○ Stability in prices ○ Full employment ○ Economic growth ○ Stability on the balance of payments ○ A balanced government budget ○ A fair distribution of income ○ Safeguarding the environment ○ Inter-generational fairness ➢ Expectations		

SJBC Curriculum Termly Plan: Economics Spring

Term	Topic(s) and links to other subjects	Core Knowledge	Core Definitions And Diagrams	Assessment	Resources
Spring 1	**<u>Microeconomics Chapter 6</u>** Elasticity *Price Elasticity of Demand (PED) *Income Elasticity of Demand (YED) *Cross Elasticity of Demand (XED) *Price Elasticity of Supply (PES)	Students should be able to: Explain and calculate • Price Elasticity of Demand (PED) **Key terms** **price elasticity of demand (*PED*)** a measure of the sensitivity of quantity demanded to a change in the price of a good or service. It is measured as: $\frac{\%\text{ change in quantity demanded}}{\%\text{ change in price}}$ **elastic** a term used when the price elasticity of demand is greater than 1 but less than infinity **inelastic** a term used when the price elasticity of demand is less than 1 but greater than zero **Quantitative skills 6.1** **Describing elasticity** Because the *PED* is always negative, economists sometimes omit the minus sign. Strictly speaking, demand is elastic where the *PED* is smaller than −1 and inelastic if the value is between 0 and −1. Another way of expressing this is that demand is elastic when the *PED* is negative with an absolute value larger than 1, but this is quite clumsy. You may sometimes find people saying that demand is elastic when the *PED* is larger than 1. What they mean is that the *PED* is smaller than −1, that it is negative but with a numerical value greater than 1. **Quantitative skills 6.2** **Calculating an elasticity** Figure 6.1 shows a demand curve for pencils. When the price of a pencil is 40p, the quantity demanded will be 20. If the price falls to 35p, the quantity demanded will rise to 30. The percentage change in quantity ($\%\Delta QD$) is $100 \times \frac{10}{20} = 50$ and the percentage change in price ($\%\Delta P$) is $100 \times \frac{-5}{40} = -12.5$. So, the elasticity can be calculated as $\frac{\%\Delta QD}{\%\Delta P} = \left(\frac{50}{-12.5}\right) = -4$. At this price, demand is highly price elastic.	➢ Elasticity ➢ PED ➢ Elastic ➢ Inelastic ➢ Unit elastic ➢ YED ➢ Superior Good ➢ XED ➢ PES ➢ Perfectly inelastic supply ➢ Perfectly Elastic Supply	Green Book: Knowledge Checks Exercises End of chapter test OCR Definition test Diagram test Comprehension test Writing test Multiple Choice Calculations Tests	

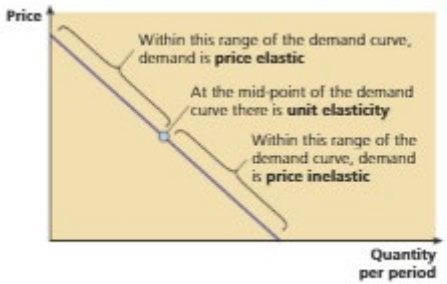


Figure 6.2 The own-price elasticity of demand varies along a straight line

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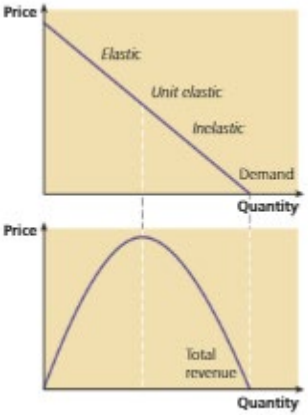


Figure 6.4 Elasticity and total revenue

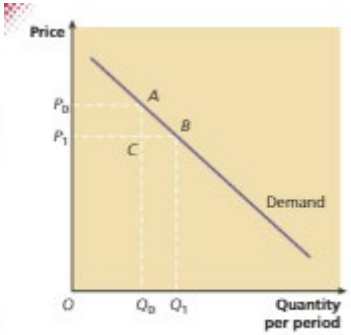


Figure 6.3 Demand and total revenue

Table 6.1 Total revenue, elasticity and a price change

Price elasticity of demand	For a price increase, total revenue...	For a price decrease, total revenue...
Elastic	falls	rises
Unit elastic	does not change	does not change
Inelastic	rises	falls

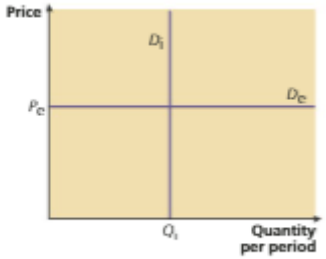


Figure 6.5 Perfectly elastic and inelastic demand

Study tip

Be ready to identify the four key influences on the *PED*:

1. The availability of close substitutes for the good
2. Whether the good is perceived as a necessity
3. The proportion of income or expenditure devoted to the good
4. The time period over which elasticity is considered

Explain and calculate:

- Income Elasticity of Demand (YED)

$$YED = \frac{\%\text{ change in quantity demanded}}{\%\text{ change in consumer income}}$$

Table 6.3 Values of the *YED*

YED value	Description
Below –1	Elastic inferior good
Between –1 and 0	Inelastic inferior good
0	No relationship between income and quantity demanded
Between 0 and 1	Inelastic normal good
Above 1	Elastic normal good — also known as a superior good

Explain and calculate:

- Cross Elasticity of Demand (XED)

$$XED = \frac{\%\text{ change in quantity demanded of good X}}{\%\text{ change in price of good Y}}$$

Table 6.4 Values of the *XED*

XED value	Description
Below –1	Strong complement
Between –1 and 0	Weak complement
0	No relationship between the two goods
Between 0 and 1	Weak substitute
Above 1	Strong substitute

Explain: Price Elasticity of Supply (PES)

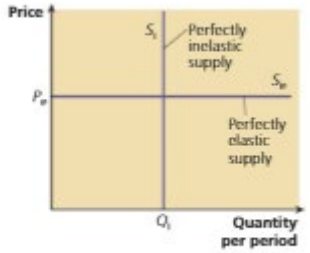


Figure 6.7 Perfectly elastic and inelastic supply

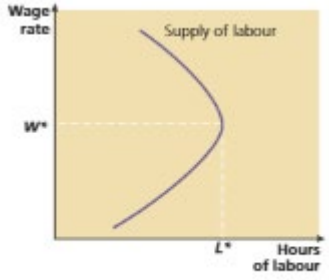
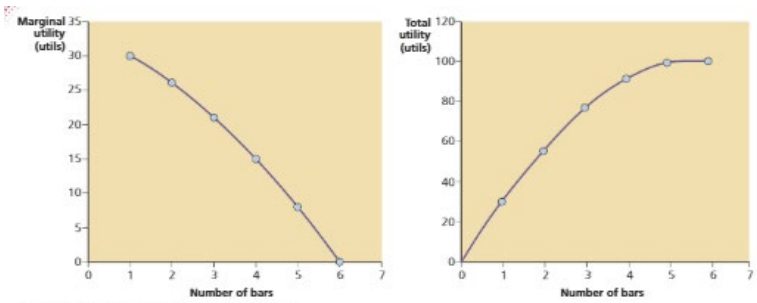
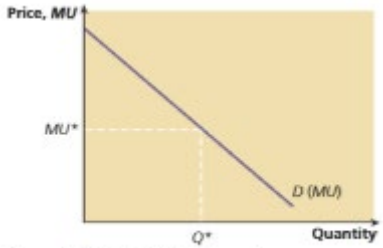
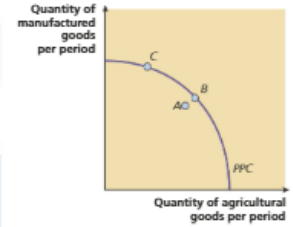
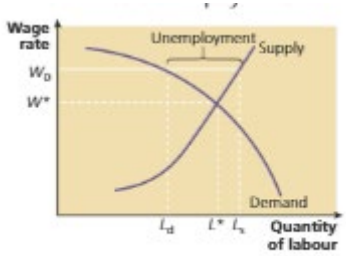
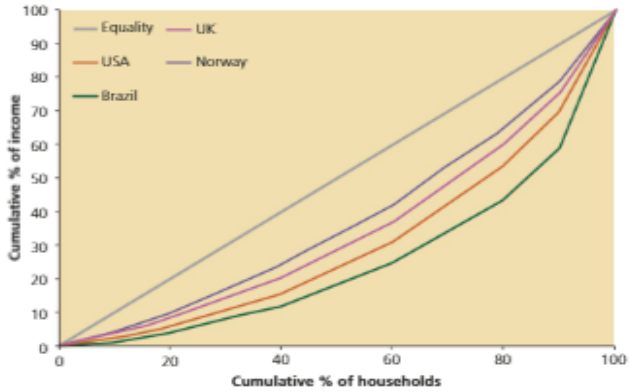


Figure 6.6 Short- and long-run supply

Students should be able to:

	Microeconomics Chapter 7 Prices, Resource Allocation and Concept of the Margin	• Explain the concept of the margin • Explain total and marginal utility • Explain diminishing marginal utility and the demand curve • Explain and calculate marginal values • Explain economic efficiency, both productive and allocative efficiency  **Figure 7.1** Marginal and total utility from chocolate  **Figure 7.2** An individual's demand curve **Study tip** The idea that allocative efficiency is achieved when price is equal to marginal cost is really important, and you will come across it in many different contexts. Make sure that you understand and remember it — and are ready to use it. Extension: Do consumers always act rationally?  **Figure 7.5** Productive efficiency Students should be able to: • explain employment and unemployment • explain the policy objective of full employment	➢ Marginal principle ➢ Rational decision making ➢ Utility ➢ Marginal utility ➢ The law of diminishing marginal utility ➢ Price signals ➢ Incentives ➢ ARSI ➢ Allocative Efficiency ➢ Economic Efficiency ➢ Productive Efficiency		

	Macroeconomics Chapter 24 *Employment	• explain the Labour Force Survey and claimant count measures of unemployment • evaluate the causes and consequences of unemployment • evaluate the effects of full employment **Synoptic link** The notion of a full employment level of real GDP was introduced in Chapter 20 in the context of the *AD/AS* model. The full employment level of real GDP corresponds to a situation in which the economy is operating at its full capacity level, utilising its resources (including workers) effectively. **Quantitative skills 24.1** **Calculating the percentage rate of unemployment** When calculating the percentage rate of unemployment, the key question concerns the portion of the active workforce who are unemployed at any point in time. This is calculated by expressing the number of unemployed as a percentage of the active workforce (i.e. employed plus unemployed). At the end of 2017 it was estimated that there were 31.054 million people in employment and 1.338 people unemployed. The percentage rate was therefore: 100 × 1.338 ÷ (31.054 + 1.338) = 4.13%.  **Figure 24.4** Unemployment in a labour market ***Extension material: Problems of measurement*** Issues with measures in developed and developing countries Temporary suspension of Labour Force Survey measure by ONS Students should be able to: • Explain income and wealth, distribution and inequality • Explain the policy objective of a more even distribution of	Macro ➢ Employed (in employment) ➢ Economically Inactive ➢ Discouraged Workers ➢ Workforce ➢ Unemployed ➢ Full Employment ➢ Claimant count of unemployment ➢ ILO unemployment rate (Labour Force Survey unemployment) ➢ Frictional unemployment ➢ Structural unemployment ➢ Cyclical unemployment ➢ Demand-deficient unemployment ➢ Seasonal unemployment ➢ Real wage inflexibility ➢ Voluntary unemployment ➢ Involuntary unemployment		

	Macroeconomics Chapter 29 *Income Distribution and Welfare	income • Explain, with the aid of a diagram, the distribution of income using a Lorenz curve • Explain inequality data: Gini coefficients and relevant quartiles • Explain absolute and relative poverty • Explain the causes and consequences of poverty and inequality **Quantitative skills 29.1** **Deciles, quintiles and quartiles** When the groups are divided into tenths in this way, they are referred to as deciles. So, the poorest 10% is the first decile, the next 10% is the second decile, and so on. Similarly, the poorest 20% is the first quintile. The poorest 25% is the first quartile. This is useful in trying to explore the pattern of the distribution of income because it quantifies the difference between income going to low-income and high-income households. Note: for purposes of the A Level you only need to know about quartiles. **The Lorenz curve** The structure of this information is quite different from the sorts of data that economists normally encounter, and it would be helpful to find an appropriate type of diagram to allow the data to be presented visually. The usual types of graph are not well suited to presenting such data, but there is a method of presenting the data visually via the **Lorenz curve**. Several examples of Lorenz curves are shown in Figure 29.1.  **Figure 29.1** Lorenz curves Source: World Development Indicators	Macro ➢ Income ➢ Wealth ➢ Income distribution ➢ Wealth distribution ➢ Lorenz curve ➢ Gini Coefficient ➢ Absolute poverty ➢ Relative poverty ➢ Headcount ratio ➢ International Poverty Line ➢ Persistent Poverty ➢		

The Gini coefficient

The Lorenz curve is fine for comparing income distribution in just a few countries. However, it would also be helpful to have an index that could summarise the relationship in a numerical way. The **Gini coefficient** does just this. It is a way of trying to quantify the equality of income distribution in a country, and is obtained by calculating the ratio of the area between the equality line and the country's Lorenz curve (area *A* in Figure 29.2) to the whole area under the equality line (area *A* + *B* in Figure 29.2).

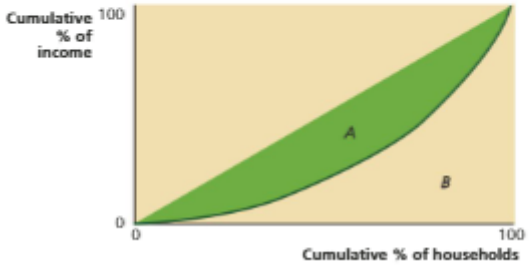


Figure 29.2 The Gini coefficient and the Lorenz curve

Study tip

The distinction between absolute and relative poverty is an important one. Absolute poverty is almost entirely confined to the LDCs, but relative poverty can exist in any society, even the advanced nations, because some individuals may be excluded from normal society.

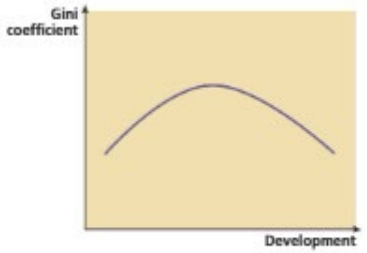


Figure 29.6 The Kuznets curve

<u>Extension Material</u>

- Weaknesses in the Kuznets hypothesis
- The World Bank
- Thomas Piketty & Michael Sandel– Equality
- Branko Milanovich – Visions of Inequality

Macroeconomics Chapter 25

*Inflation

Synoptic link

Another use of a price index is to adjust a data series from nominal into real terms. This is explained in Chapter 22, where it was noted that real GDP is calculated as nominal GDP divided by an appropriate price index.

Students should be able to:

- explain inflation, deflation, disinflation and hyperinflation
- explain the policy objective of low and stable inflation
- explain how inflation is measured using the Consumer Price Index (CPI) and the Retail Price Index (RPI)
- Explain and calculate the rate of inflation using index numbers
- Evaluate the causes and consequences of inflation and deflation

Quantitative skills 25.1

Creating an index number

Another way of showing how prices have changed is to calculate an index number. In the above example, the current value of the index could be calculated as the current value divided by the base value, multiplied by 100. In other words, this would be 100 x 1.80 ÷ 1.20 = 150. The resulting number gives the current value relative to the base value.

This turns out to be a useful way of expressing a range of economic variables where you want to show the value relative to a base period. Index numbers can also be used to compare between regions or to compare variables measured in different units — anything where you want to compare with some base level.

Cost-Push and Demand-Pull Inflation

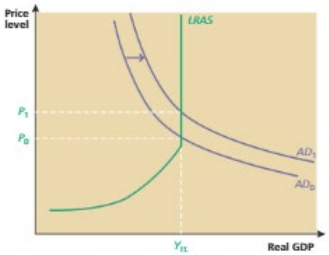
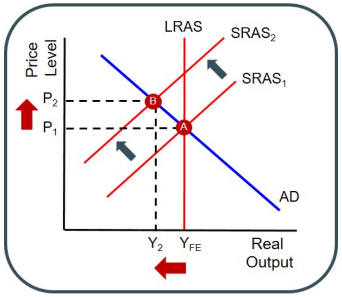


Figure 25.2 An increase in aggregate demand

Cost-Push Inflation

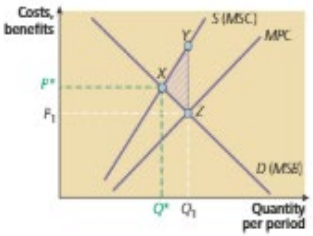
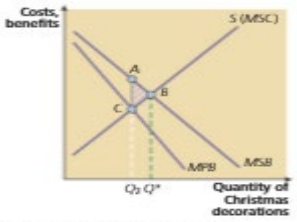
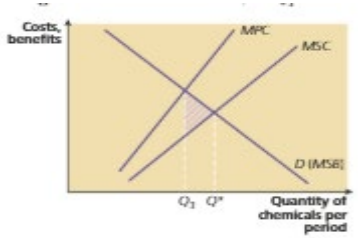
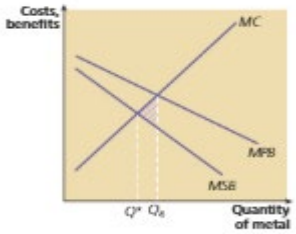


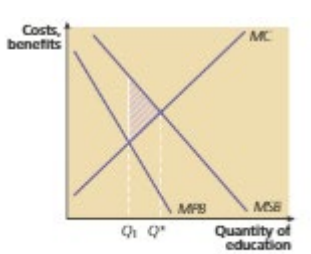
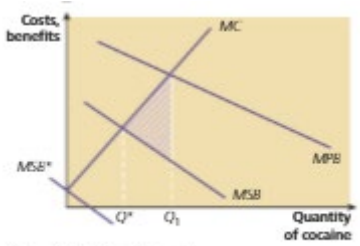
- Inflation
- Index number
- Consumer Price Index (CPI)
- CPIH
- Retail Price Index (RPI)
- Deflation
- Disinflation
- Hyperinflation
- Cost-push inflation
- Demand-pull inflation
- Money Stock

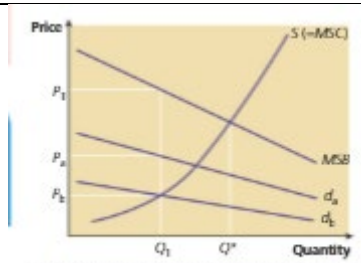
Study tip

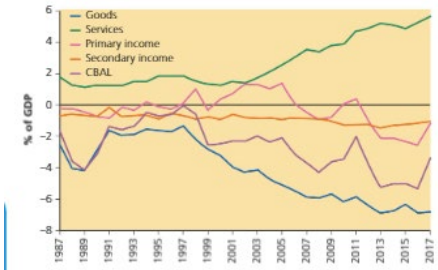
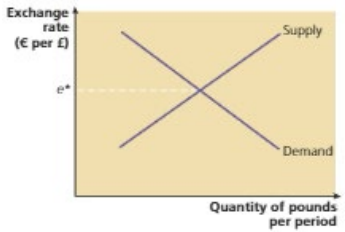
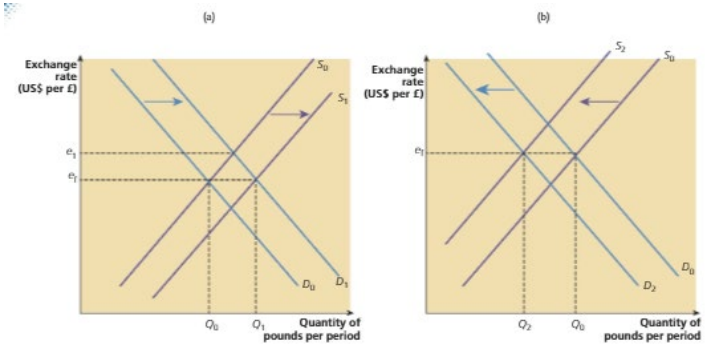
The key costs of inflation are:

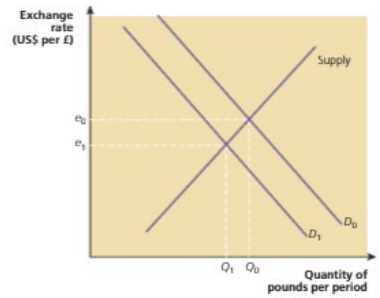
- uncertainty reduces incentives for investment
- prices fail to be reliable signals for resource allocation
- redistribution of income away from those on fixed incomes
- menu costs
- shoe-leather costs
- reluctance to use money for transactions

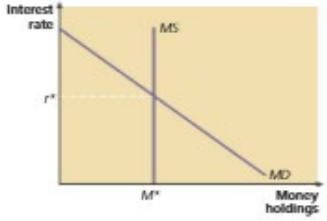
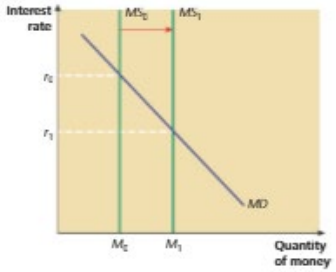
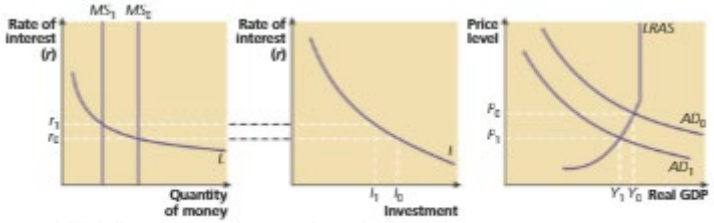
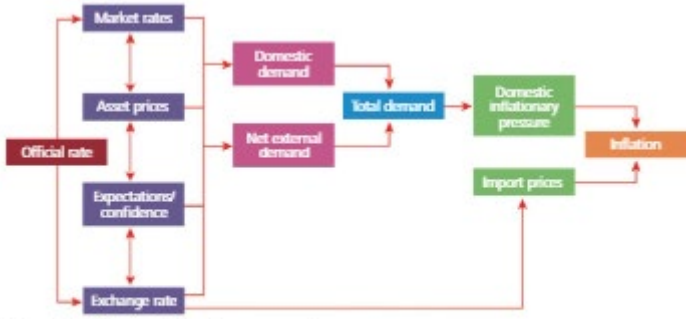
Spring 2	**<u>Microeconomics</u>** **<u>Chapter 8</u>** Market Failures and Externalities *Information Failure * Public Goods * Merit and Demerit Goods * Market Power	Students should be able to: • Explain market failure • Explain marginal social cost • Explain marginal external cost • Explain marginal private cost • Explain marginal social benefit • Explain marginal external benefit • Explain marginal private benefit • Explain, with the aid of a diagram, positive and negative externalities (external benefits and external costs) in consumption and production  **Figure 8.1** A negative production externality  **Figure 8.2** A positive consumption externality  **Figure 8.3** A positive production externality  **Figure 8.4** A negative consumption externality	<u>Micro</u> ➢ Market Failure ➢ Marginal Social Benefit (MSB) ➢ Marginal Social Cost (MSC) ➢ Externality ➢ Private Costs ➢ External Costs ➢ Social Costs ➢ Social Benefits ➢ Private Benefits ➢ External Benefits ➢ Production Externality ➢ Welfare Loss ➢ Consumption Externality **Study tip** Make sure that you understand the four varieties of externalities: 1 Negative production externality 2 Negative consumption externality 3 Positive production externality 4 Positive consumption externality Be ready with examples of each.		

	<u>Microeconomics</u>
	<u>Chapter 9</u>
	<u>Market Failure</u>
	<u>Information Failure and Public Goods</u>
		Students should be able to:
		• Explain information failure
		• Explain, with the aid of a diagram, market failure caused by information failure
		• Explain asymmetric information and moral hazard
		• Explain merit and demerit goods
		• Evaluate production and consumption of merit goods
		• Evaluate production and consumption of demerit goods
		• Explain Public Goods, Private Goods and quasi-public goods
		• Explain the characteristics of a public good:
		  ○ Non-excludability
		  ○ Non-diminishability (non-rivalry)
		  ○ Non-rejectability
		  ○ Zero marginal cost
		• Explain the free rider problem
		• Evaluate the provision of public goods
		 
		
		Figure 9.1 Information failure and education
		 
		
		Figure 9.2 A demerit good
			➢ **Asymmetric information**
			➢ **Adverse selection**
			➢ **Moral Hazard**
			➢ **Merit good**
			➢ **Demerit good**
			➢ **Private good**
			➢ **Non-excludability**
			➢ **Non-rivalry**
			➢ **Public Good**
			➢ **Non-rejectability**
			➢ **Free-rider problem**		

	Macroeconomics **Chapter 26** **Balance of Payments**	 **Figure 9.3** Demand and supply of a public good ***Extension materials:*** Ronald Coase, Utilities ownership **Learning objectives** After studying this chapter, you should be able to: • explain the balance of payments • explain the components of the current account: trade in goods, trade in services, primary and secondary income • explain the policy objective of a sustainable balance of payments position • explain imbalances on the balance of payments • explain and calculate balances on the different components of the balance of payments • evaluate the causes and consequences of imbalances on the balance of payments Commentators often focus on the current account. Three main items appear on this account: ■ trade in goods and services ■ primary income ■ secondary income (transfers) **Quantitative skills 26.1** **Calculate the balance of an item in the balance of payments accounts** In 2017, exports of goods were estimated as £342.5 billion and imports were £478.1 billion. The balance of trade in goods was therefore total exports minus imports: that is, 342.5 – 478.1 = –£135.6 billion. The financial account shows transactions associated with changes in the ownership of the UK's foreign financial assets and liabilities. There are four categories of these transactions: 1 foreign direct investment 2 portfolio investment 3 transactions in other financial assets 4 reserve assets	➢ Balance of Payments ➢ Open economy ➢ Closed economy ➢ Current account of the balance of payment ➢ Net trade balance ➢ Primary Income ➢ Secondary Income ➢ Financial account of the balance of payments ➢ Foreign Direct Investment ➢ Portfolio Investment ➢ Reserve assets ➢ Capital account of the balance of payments ➢ Errors and omissions		

	Macroeconomics **Chapter 27** **Exchange Rates**	 **Figure 26.3** The composition of the current account since 1987 (balances) Source: calculated from ONS data **Learning objectives** After studying this chapter, you should be able to: • explain and calculate exchange rates • explain, with the aid of a diagram, the determination of exchange rates in fixed and floating exchange rate systems • evaluate the causes and consequences of exchange rate changes • evaluate the advantages and disadvantages of different exchange rate systems  **Figure 27.1** The market for pounds sterling  **Figure 27.4** Maintaining a fixed exchange rate: (a) an increase in demand for pounds; (b) a decrease in demand for pounds	➢ Exchange Rate ➢ Fixed exchange rate system ➢ Central Bank ➢ Foreign exchange reserves ➢ Devaluation ➢ Revaluation ➢ Floating exchange rate system ➢ Hot money ➢ Appreciation ➢ Depreciation		

	Macroeconomics Chapter 28 Trends in Macroeconomic Indicators	 **Figure 27.5** The exchange rate in a floating exchange rate system **Learning objectives** After studying this chapter, you should be able to: • explain key trends in the UK macroeconomic performance in the last 20 years • evaluate the current performance of the UK economy compared with other developed economies, emerging and developing economies Covering UK economy over the past 20 years Latest summary data ONS Econ Plus Dal – review for 24/25 as an example of data overview OECD and IMF summaries for key economies Contrast different approaches to Financial Crisis in US vs UK Duration of UK recession post financial crisis Contrast recovery in GDP – implications of austerity Brexit impacts Covid Impacts	Challenge students to identify terms that they had to look up from FT articles and broaden their economic and financial vocabulary ➢ Monetary Policy ➢ Money supply ➢ Central Bank		

	Macroeconomics **Chapter 31** **Monetary Policy**	**Learning objectives** After studying this chapter, you should be able to: • explain, with the aid of a diagram, changes in money supply • explain, with the aid of a diagram, changes in interest rates • explain, with the aid of a diagram, inflation rate targets • explain, with the aid of a diagram, quantitative easing • explain, with the aid of a diagram, the influence of exchange rates • evaluate the effectiveness of using monetary policy to achieve the government's macroeconomic objectives  **Figure 31.1** The demand for money  **Figure 31.2** An increase in money supply  **Figure 31.3** The interest rate and aggregate demand  **Figure 31.4** The transmission of monetary policy Source: Bank of England	➢ Bank of England ➢ Central Bank independence ➢ Transmission mechanism of monetary policy ➢ Inflation targeting ➢ Monetary Policy Committee (MPC) ➢ Bank rate ➢ Liquidity trap ➢ Quantitative easing ➢ Other central banks and policies		

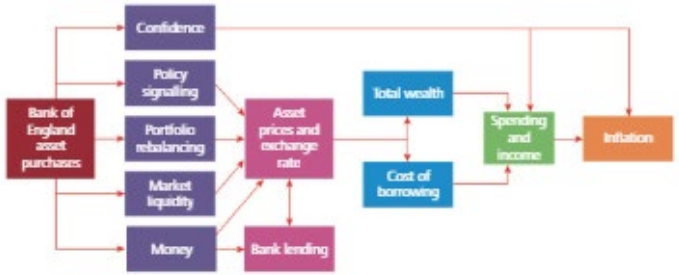


Figure 31.6 The transmission mechanism from quantitative easing

Source: Bank of England