Programme of Study - Year 12 Economics (Exam Board AQA)

Autumn (1st term)	Autumn (2nd term)	Spring (1st term)	Spring (2nd Term)	Summer (1st term)	Summer (2nd term)
Other timescale: From: Sep To: Oct	Other timescale: From: Oct To: Dec	Other timescale: From: Jan To: Mar	Other timescale: From: Mar To: Apr	Other timescale: From: Apr To: May	Other timescale: From: Jun To: Jul
Topic / Big Question: 1.Economic methodology and the economic problem 2. Price determination in a competitive market 3. Production, costs and revenue 4. Competitive and concentrated markets Skills (students should be able to do): Skills to contribution of economics to the understanding of the wider economic and social environment Skills needed to understand and analyse data, think critically about issues and make informed decisions. Build quantitative skills and appreciate that, when evaluating arguments, both qualitative and quantitative evidence are important.	Topic / Big Question: 5. The market mechanism, market failure and government intervention in markets 6. The measurement of macroeconomic performance 7. How the macroeconomy works: the circular flow of income, aggregate demand/aggregate supply analysis, and related concepts Skills (students should be able to do): Skills needed to understand and analyse data, think critically about issues and make informed decisions. Build quantitative skills and appreciate that, when evaluating arguments, both qualitative and quantitative evidence are important.	Topic / Big Question: 8. Economic performance -Economic growth and the economic cycle -Employment and unemployment - Inflation and deflation - The balance of payments on current account - Possible conflicts between macroeconomic policy objectives 9. Macroeconomic policy -Monetary policy -Fiscal policy -Supply-side policies 10. Individual economic decision making 11. Production, costs and revenue Skills students should be able to do): Develop an understanding of a range of concepts and an ability to use those concepts in a variety of different contexts. Skills needed to understand and analyse data, think critically about issues and make informed decisions. Build quantitative skills and appreciate that, when evaluating arguments,	Topic / Big Question: 12. Perfect competition, imperfectly competitive markets and monopoly 13. The labour market Skills (students should be able to do): Skills needed to use an enquiring, critical and thoughtful approach to the study of economics and develop an ability to think as an economist Skills needed to understand and analyse data, think critically about issues and make informed decisions. Build quantitative skills and appreciate that, when evaluating arguments, both qualitative and quantitative evidence are important.	Topic / Big Question: 14. The distribution of income and wealth: poverty and inequality 15. Revisiting market failure and government intervention in markets. 16. Revisiting and developing macroeconomic theory Skills (students should be able to do): Skills needed to understand and analyse data, think critically about issues and make informed decisions. Build quantitative skills and appreciate that, when evaluating arguments, both qualitative and quantitative evidence are important. understand that economic behaviour can be studied from a range of perspectives	Topic / Big Question: 17. Financial markets and monetary policy 18. Fiscal policy and supply-side policies 19.The international economy Skills (students should be able to do): Skills needed to develop analytical and quantitative skills, together with qualities and attitudes which will equip economics students for the challenges, opportunities and responsibilities of adult and working life Skills needed to understand and analyse data, think critically about issues and make informed decisions. Skills when evaluating arguments that both qualitative and quantitative evidence are important

		both qualitative and quantitative evidence are important.			
Key Learning Outcomes (students should know): 1. ● important aspects of economic methodology ● the nature and purpose of economic activity ● how resources are used to produce goods and services ● the importance of scarcity, choice and resource allocation ● the significance of production possibility diagrams 2. ● the nature of demand and supply in a competitive market ● the difference between a movement along a demand or a supply curve and a shift of a demand or a supply curve ● the concept of elasticity and the different elasticities you need to know ● how demand and supply curves are brought together in a supply and demand diagram ● market equilibrium and disequilibrium in a supply and demand diagram ● interrelationships between markets 3.	Key Learning Outcomes (students should know): 5. ● the four functions that prices perform and how markets and prices affect resource allocation ● the meaning of market failure ● the difference between a private good and a public good ● the difference between a merit good and a demerit good ● how externalities lead to market failure ● the concepts of marginal private, external and social cost and benefit ● how these concepts are used to analyse externalities, and merit and demerit goods ● how to apply the concept of allocative efficiency to market failure ● a number of environmental market failures ● the importance of property rights in the public policy response to externalities ● merit and demerit goods in the context of information failures ● how monopoly may lead to market failure and resource misallocation	Key Learning Outcomes (students should know): 9. ● the characteristics and functions of money ● the financial assets which have functioned as money, both in the present day and in the past ● the structure and functions of UK financial markets: money markets, capital markets and foreign exchange markets ● the relationship between asset prices and interest rates ● the roles of different types of bank: commercial banks, investment banks and central banks ● how a commercial bank creates credit and new bank deposits ● how the Bank of England, the UK's central bank, implements monetary policy ● the regulation of the UK's financial markets 10. ● the significance of utility maximisation for individual economic decision making ● the importance of the margin when making choices ● how imperfect information and asymmetric information affect choice	Key Learning Outcomes (students should know): 13. ● the similarities between labour markets and goods markets, but also the differences between these two sets of markets ● the demand for labour as a derived demand ● the demand for labour in a perfectly competitive labour market ● the supply of labour in a perfectly competitive labour market ● how wage rate and the level of employment are determined in a perfectly competitive labour market ● the similarities of and differences between a monopsony labour market and a monopoly goods market ● how wage rate and the level of employment are determined in a monopsony labour market ● the impact of trade unions on wage rates and employment ● the national minimum wage ● the effects of wage discrimination and other forms of discrimination in labour markets 14.	Key Learning Outcomes (students should know): 16 ● the circular flow macroeconomic model of how the economy works ● the effect of changes in injections and withdrawals of demand on national income ● the accelerator and multiplier processes ● the aggregate demand/aggregate supply (AD/AS) macroeconomic model ● aggregate demand and aggregate supply in greater detail 17. ● the characteristics and functions of money ● the financial assets which have functioned as money, both in the present day and in the past ● the structure and functions of UK financial markets: money markets, capital markets and foreign exchange markets ● the relationship between asset prices and interest rates ● the roles of different types of bank: commercial banks, investment banks and central banks	Key Learning Outcomes (students should know): 18. ● what is meant by fiscal policy ● the difference between macroeconomic and microeconomic fiscal policy ● how fiscal policy can be used to influence both aggregate demand and aggregate supply ● how government spending and taxation can affect the pattern of economic activity ● the types of and reasons for public expenditure and taxation ● direct and indirect taxation, and progressive, proportionate and regressive taxes ● the principles of taxation ● the role and relative merits of different UK taxes ● budget deficits, surpluses and the national debt ● the role of the Office for Budget Responsibility ● the consequences of budget deficits and surpluses for macroeconomic performance ● supply-side policies and supply-side improvements ● the difference between free-market and interventionist supply-side policies

● the meaning of production and the difference between production and productivity, especially labour productivity ● the concepts of specialisation and the division of labour ● how the law of diminishing returns and returns to scale respectively help explain short-run and long-run production theory ● how short-run total, average and marginal cost curves are derived from short-run production theory ● how long-run cost curves are affected by the nature of returns to scale ● economies and diseconomies of scale in the economic long run ● the nature of the revenue curves facing a firm ● how revenue curves are dependent on the type of market structure in which the firm sells its output ● the role of profit in the economy ● how technological change can affect production and costs, and also competitiveness and market structure 4. ● profit maximisation in different market structures ● whether perfect competition is more efficient than monopoly	● how income and wealth inequalities lead to market failure ● the ways government intervention in the economy tries to correct market failure and why it may fail 6. ● the main objectives of macroeconomic policy ● how the ranking of the policy objectives has changed over time ● policy trade-offs and conflicts ● the range of data used to measure the performance of an economy ● how index numbers are used to show changes in key economic variables ● the uses of national income data 7. ● the circular flow macroeconomic model of how the economy works ● the effect of changes in injections and withdrawals of demand on national income ● the accelerator and multiplier processes ● the aggregate demand/aggregate supply (AD/AS) macroeconomic model ● aggregate demand and aggregate supply in greater detail	decisions ● the emergence of behavioural economics as an important recent development in economic theory ● important elements of behavioural economics such as bounded rationality, biases in individual decision making and the role of altruism ● how behavioural economics relates to government economic policy 11. ● the meaning of production and the difference between production and productivity, especially labour productivity ● the concepts of specialisation and the division of labour ● how the law of diminishing returns and returns to scale respectively help explain short-run and long-run production theory ● how short-run total, average and marginal cost curves are derived from short-run production theory ● how long-run cost curves are affected by the nature of returns to scale ● economies and diseconomies of scale in the economic long run ● the nature of the revenue curves facing a firm	● the nature and causes of inequalities in the distribution of income and wealth in the UK ● how government policies such as progressive taxation, transfers and the national minimum wage attempt to make the distribution of income more equal ● the meaning of poverty ● absolute poverty and relative poverty ● the main causes of poverty in the UK ● how progressive taxation 15. the four functions that prices perform and how markets and prices affect resource allocation ● the meaning of market failure ● the difference between a private good and a public good ● the difference between a merit good and a demerit good ● how externalities lead to market failure ● the concepts of marginal private, external and social cost and benefit ● how these concepts are used to analyse externalities, and merit and demerit goods ● how to apply the concept of allocative efficiency to market failure	● how a commercial bank creates credit and new bank deposits ● how the Bank of England, the UK's central bank, implements monetary policy ● the regulation of the UK's financial markets	● the role of supply-side policies in reducing the natural rate of unemployment and in achieving the government's macroeconomic objectives ● the distinction between the microeconomic and macroeconomic effect of supply-side policies 19. ● the meaning of globalisation and its main elements ● the principle of comparative advantage and the case for free trade ● the different forms of protectionism ● patterns of trade, both globally and for the UK ● the main features of a customs union, the Single European Market (SEM) and the UK's membership of the European Union (EU) ● the role of the World Trade Organization (WTO) ● the different sections of the balance of payments account and the relationship between them ● the significance of balance of payments deficits and surpluses ● how deflation, import controls, devaluation and supply-side measures and policies can be used to try to correct a current account imbalance

● how monopolistic competition and oligopoly are forms of imperfect competition ● the use of concentration ratios to define oligopoly in terms of market structure ● oligopoly in terms of market behaviour or conduct, in the context of interdependence among oligopolists ● the difference between competitive and collusive oligopoly ● why and how firms undertake price discrimination ● the different forms of economic efficiency ● how dynamic efficiency relates to the process of creative destruction and how firms compete in real-world markets ● the welfare criteria of consumer surplus and producer surplus and how they can be used to evaluate the different market structures	8. ● the demand-side and supply-side determinants of economic growth ● the economic cycle and output gaps ● the benefits and costs of economic growth ● the effects of economic shocks on the economy ● the main types of unemployment ● demand-side and supply-side causes of unemployment ● how global events can impact on UK unemployment and inflation ● demand-pull and cost-push inflation, and the monetarist theory of inflation ● how changes in world commodity prices affect domestic inflation ● the effect of deflation on the economy ● how conflicts that arise from trying to achieve different macroeconomic policy objects affect economic performance in the short run and the long run ● the Phillips curve relationship	● how revenue curves are dependent on the type of market structure in which the firm sells its output ● the role of profit in the economy ● how technological change can affect production and costs, and also competitiveness and market structure 12. ● profit maximisation in different market structures ● whether perfect competition is more efficient than monopoly ● how monopolistic competition and oligopoly are forms of imperfect competition ● the use of concentration ratios to define oligopoly in terms of market structure ● oligopoly in terms of market behaviour or conduct, in the context of interdependence among oligopolists ● the difference between competitive and collusive oligopoly ● why and how firms undertake price discrimination ● the different forms of economic efficiency ● how dynamic efficiency relates to the process of creative destruction	● a number of environmental market failures ● the importance of property rights in the public policy response to externalities ● merit and demerit goods in the context of information failures ● how monopoly may lead to market failure and resource misallocation ● how income and wealth inequalities lead to market failure ● the ways government intervention in the economy tries to correct market failure and why it may fail		

		and how firms compete in real-world markets ● the welfare criteria of consumer surplus and producer surplus and how they can be used to evaluate the different market structures			
End of term 1 assessment to cover: • Past paper 1 • Assessed - written exam: 1 hour 30 minutes, 70 marks, 50% of AS • Questions, Section A: 20 multiple choice questions worth 20 marks. Section B: data response questions requiring written answers, choice of one from two contexts worth 50 marks		**End of Term Assessment to Cover:** • Past paper 2 • Assessed - written exam: 1 hour 30 minutes, 70 marks, 50% of AS • Questions, Section A: 20 multiple choice questions worth 20 marks. Section B: data response questions requiring written answers, choice of one from two contexts worth 50 marks		End of year assessment to cover: • Past paper - Paper 3: Economic principles and issues • **Assessed** •written exam: 2 hours, 80 marks • Questions - Section A: multiple choice questions worth 30 marks. Section B: case study questions requiring written answers, worth 50 marks	
Building understanding: Rationale / breakdown for your sequence of lessons: 1. Economics is the study of choice and decision making in a world with limited resources. It tries to explain the economic behaviour of both individuals and groups of people, and the economic relationships between individuals and groups. Related to the noun 'economics', is the verb 'to economise'. In large part, economics is the study of economising — the study of how people make choices about what to produce, how to produce and for whom to produce, in a world in which most resources are limited or scarce. How best can people make decisions on how scarce resources should be allocated among competing	**Building understanding: Rationale / breakdown for your sequence of lessons:** 5. Earlier topics have explained how markets work. This lesson starts by adding another dimension by introducing and explaining the four functions that prices perform in a market economy, or in the market sector of a mixed economy. It then explains how, when one or more of these four functions breaks down, market failure occurs. The next sections look in some detail at the main forms of market failure: public goods, merit and demerit goods, and externalities. This is followed by an explanation of how monopoly and imperfect	**Building understanding: Rationale / breakdown for your sequence of lessons:** 9. Early in our coverage of macroeconomics, Lesson 6 included a brief introduction to the objectives of macroeconomic policy. However, we didn't at that stage mention that governments use policy instruments to try to 'hit' one or more of the various objectives they wish to achieve. A policy instrument is a tool or set of tools used to try to achieve a policy objective. This lesson explores the linkages between policy instruments and policy objectives, first in the context of monetary policy, and then in relation to fiscal	**Building understanding: Rationale / breakdown for your sequence of lessons:** 13. Much of the theory we explain in this lesson is really just the price theory students have already studied in the goods markets (or product markets) of an economy, operating in the labour market. A labour market is an example of a factor market — that is, a market in which the services of a factor of production are bought and sold. Markets for land, capital goods and entrepreneurial skill are the other factor markets. As Figure 4.1 shows, households and firms function simultaneously in both sets of markets, but their roles are reversed.	**Building understanding: Rationale / breakdown for your sequence of lessons:** 16. This is the first of four topic which revisit and further develop the macroeconomics covered previously in Book 1, Part 2. Book 1 introduced you to two related macroeconomic models which try to explain how the macroeconomy works, namely the circular flow and the aggregate demand/aggregate supply (AD/AS) models. This lesson revisits these models, while topics 8 and 9 focus on their implications for	**Building understanding: Rationale / breakdown for your sequence of lessons:** 18. Fiscal policy is the part of economic policy in which the government attempts to achieve policy objectives using the fiscal instruments of government spending, taxation and the government's budgetary position (balanced budget, budget deficit or budget surplus). Supply-side economic policy is the set of government policies that aim to change the underlying structure of the economy and improve the economic performance of

uses, so as to improve and maximise human happiness and welfare? This is the economic problem, which is the main focus of this introductory topic.

2.
Topic 1 introduced you to one of the fundamental economic problems: how to allocate scarce resources between competing uses in conditions in which there are limited resources and unlimited wants. In a market economy, resource allocation is undertaken by the price mechanism operating in the system of markets that make up the economy. This is true also in the 'market sector' of a 'mixed economy'. However, in a mixed economy there is also a 'non-market sector' in which goods and services such as roads and police are produced and delivered to final users 'outside the market'. The UK is often said to be a 'mixed economy' though in recent decades the nature of the 'mix' has been shifting towards a pure market economy and away from non-market provision. This lesson focuses on markets and the price mechanism, and looks only at competitive markets. Many of the markets in the UK economy are uncompetitive markets, but

markets — topics covered in Lesson 4 — are sources of market failure. We then go on to explain how income and wealth inequalities are a form of market failure.
In developed countries such as the UK, the existence of market failure leads to government intervention in the economy to make markets function better, and in some cases to replace the market with state provision of goods and services. In the final sections of the lesson, we explain and evaluate the methods of government intervention, and the government failure which arises when the intervention creates new problems.
6.
This is the first of two topics which cover an important part of microeconomic theory that economists often call the 'theory of the firm'. This topic begins by looking at the nature of production, before going on to link production theory to the costs of production a firm incurs when it produces output. The topic then explains the sales revenue a firm earns when it sells its output to customers, with the aim of making a profit. The theory covered in this topic leads seamlessly into topic 5, which explains the different market structures such as perfect competition

policy. The lesson concludes by explaining the meaning of supply-side policies and the links between supply-side policy objectives and instruments.
Generally, monetary, fiscal and supply-side policies are used in combination rather than in isolation, with particular policies assigned to achieving particular policy objectives. In recent years, however, UK monetary policy rather than fiscal policy has been used to manage aggregate demand. With the exception of a brief period from 2008 to early 2010, when 'demand-side' fiscal policy was used to try to spend the economy out of the 'great recession', fiscal policy is nowadays mostly used as a supply-side policy — indeed arguably the most important form of supply-side policy. 'Supply-side' fiscal policy has largely replaced 'demand-side' fiscal policy, though there is a possibility that this could once again change if there is a change of government.

10.
This lesson develops from our explanation of demand theory in Book 1, section 2.1, 'The determinants of demand for goods and services', on pages 20–30. We begin with a short recap

Whereas firms are the source of supply in a goods market, in a factor market firms exercise demand for factor services supplied by households. The incomes received by households from the sale and supply of factor services contribute in large measure to households' ability to demand the output supplied by firms in the goods market. To exercise demand, which requires an ability to pay as well as a willingness to pay, households need an income, and for most people this requires the sale of their labour services in a labour market.
Indeed, as we explained in the context of the circular flow of income in Book 1, pages 163–65, the relationship between households and firms in the two markets is essentially circular. In goods markets, finished goods and services flow from firms to households, who spend their incomes on the goods. In labour markets, members of households earn the incomes they spend on goods by selling labour to their employers.

14.
As the experience of many poor countries shows, unregulated market

monetary, fiscal and supply-side policies. Lesson 10 covers international economics.
You should appreciate that different economic models provide insights into different aspects of the behaviour of the macroeconomy. Exam questions may ask you to assess the impact and effectiveness of government policies to deal with recent and current macroeconomic problems, and also to consider alternative approaches to economic policy.
Your knowledge and understanding of macroeconomics will be assessed in Papers 2 and 3 of the A-level examination. To remind you, Paper 2 is similar to the microeconomic Paper 1 in that it requires you to answer one Context data-response question from a choice of two, and one essay question from a choice of three. Paper 3, by contrast, comprises questions which are both microeconomic and macroeconomic, namely 30 multiple choice questions and an extended Case study/Investigation question. You

markets and industries, and also of individual firms and workers within markets. Supply-side fiscal policy is an important supply-side policy, but supply-side policies encompass more than just fiscal policy measures.
We start section 9.1 with a précis of the topics included in Book 1's coverage of fiscal policy. This is followed by a more in-depth explanation of certain key aspects of fiscal policy. Section 9.2, which makes up the second half of the lesson, provides a similar coverage of supply-side policies.

19.
Although we have made brief reference to aspects of the international economy in earlier topics, particularly those on macroeconomics, we have not explained international economics in any systematic way. The purpose of the two remaining topics in the book is to explain the key elements of the international economy and to examine their impact on the UK economy. This lesson looks first at globalisation, and then at trade and the balance of payments. This is followed in Lesson 15 by an explanation

these are investigated in topic 4.

3.
Production was first mentioned in topic 1 — in the context of the role of production in trying to solve the fundamental economic problem of scarcity. This lesson begins by reminding you of the meaning of production, before introducing and explaining a number of production related concepts. These are productivity, productive efficiency, the division of labour and specialisation. For specialisation and the division of labour to be worthwhile, the exchange of goods and services must be possible.
Exchange can take place through barter, but in modern economies money is almost always used as the medium which allows exchange to take place.
We complete the lesson by explaining the main features of a firm's average cost curve and then use average cost curves to illustrate economies and diseconomies of scale.

4.
Markets, and how they operate, are central to a microeconomics course.
In a pure market economy, resource allocation would

and monopoly in which firms sell their output.

5.
Earlier topics have explained how markets work. This lesson starts by adding another dimension by introducing and explaining the four functions that prices perform in a market economy, or in the market sector of a mixed economy. It then explains how, when one or more of these four functions breaks down, market failure occurs.
The next sections look in some detail at the main forms of market failure: public goods, merit and demerit goods, and externalities. This is followed by an explanation of how monopoly and imperfect markets — topics covered in Lesson 4 — are sources of market failure. We then go on to explain how income and wealth inequalities are a form of market failure.
In developed countries such as the UK, the existence of market failure leads to government intervention in the economy to make markets function better, and in some cases to replace the market with state provision of goods and services. In the final sections of the lesson, we explain and evaluate the methods of government intervention, and the

of the parts of demand theory that you must know in order to understand this introductory lesson of Book 2. Following the recap, the lesson then introduces you to two extremely significant aspects of individual economic decision making which are not covered in Book 1. The first is utility theory, an old-established body of theory which underlies the development of demand theory. Then, following a brief discussion of how imperfect information affects individual decision making, we introduce you to the second important part of this lesson, behavioural economics. Behavioural economics is a relatively new part of the subject which provides significant insights into how individuals make economic decisions.

11.
To understand production, costs and revenue in greater depth than was the case in Book 1, it is necessary to understand how the 'building blocks' of the theory of the firm, which are shown in Figure 2.1, link together. This and the next lesson explain these linkages.
A theme running through topic 2 and 3 is that it is difficult and

forces tend to produce highly unequal distributions of income and wealth, which many economists believe to be an important form of market failure. However, a minority of economists disagree. Extreme pro-free-market economists sometimes argue that people who end up poor deserve to be poor. According to this view, the market does not fail; it simply creates incentives that cause people to generate income and wealth which end up benefiting most of the population. They also argue that attempts by governments to redistribute income and wealth from the rich to the poor usually end up, through the distortion of personal incentives, in government failure which harms national economic performance. Nevertheless, the mainstream economic view is that some form of intervention to moderate the extreme inequalities that would occur in a completely free-market economy is desirable. The arguments are about the extent to which governments should intervene to reduce inequality, and the methods of intervention.

will find examples of questions written in the style of Papers 2 and 3 at the end of the book.

17.
Like all the economies of nation states in the world today, the UK's economy is a monetary economy, in which most of the goods and services produced are traded or exchanged via the intermediary of money. This lesson begins by describing the nature and functions of money in the UK economy and then explains the structure of UK financial markets and the characteristics of some of the important financial assets that are traded in these markets. The lesson goes on to explain how bank deposits, which form the largest part of the money supply in modern economies, are created by the free enterprise banking system. It then surveys the changes that have recently taken place in UK monetary policy, showing how current monetary policy has developed out of the monetary policies implemented by UK governments and the Bank of England over the last 20–35 years.

of exchange rate systems and a discussion of various international issues related to economic growth and the development of low-income countries.

Following on from Lesson 14, this is the second lesson in the book on international economics. Section 15.1 explains exchange rate systems. Exchange rate equilibrium cannot be fully understood without understanding the balance of payment equilibrium, and vice versa.
The former is measured in terms of the relative prices of currencies, whereas the latter is stated in terms of the quantities of goods, services and financial flows between countries. Lesson 14 explained the balance of payments, but this lesson focuses on exchange rates. Section 15.2, the final part of the book, is significantly different, surveying the topic of development economics and some of the problems faced by the world's poorer economies.

take place solely in the markets which make up the economy (except in the case of events such as inheriting wealth, winning the lottery, and being the victim of theft). In the UK, which falls short of being a complete market economy, markets allocate scarce resources between competing uses in the market sector of the economy but not throughout the whole economy. The market sector dominates the UK economy, though the production and consumption of some goods and services, such as police and defence, lie largely 'outside the market'. Markets vary considerably in the extent to which they are competitive, falling into one of two groups of market structure: competitive or concentrated. When economists talk of competition, they might be referring to forms of competition that are a part of the competitive market process in a modern economy, such as quality completion, competition in design and fashion, and after-sales service competition. However, in this lesson we focus on price competition, or the setting of prices in order to offer the best value for money. Price competition involves a firm cutting the price (or	government failure which arises when the intervention creates new problems. 6. This is the first of the four remaining topics in the book covering macroeconomics. The subject area of the first five topics, microeconomics, describes, explains and analyses the 'little bits' of the economy, for example individual markets, firms and industries. By contrast, macroeconomics looks at the economy as a whole or in aggregate. Consider the question 'what determines the price of bread?' This is a microeconomic question, focusing on supply and demand in a single market within the economy. By contrast, 'what determines the average price level of all goods and services?' is a macroeconomic question. Similarly, 'what determines the annual rate of change of the overall price level, i.e. the rate of inflation?' is a macroeconomic rather than a microeconomic question. This and similar questions relating to the levels and rates of change of economic variables such as output, consumption, investment and exports and imports, lie at the heart of macroeconomics.	sometimes impossible to understand properly market structures such as perfect competition and monopoly (shown in the final part of Figure 2.1) without first understanding the nature of production, costs and revenue. More narrowly, cost theory cannot be fully understood without understanding the first 'building block' in the flow chart, production theory. In this lesson, we explain in more detail the concept, first used in Lesson 1, of 'the margin', which we use to explain production, cost and revenue curves in a more rigorous way than was the case in Book 1. The margin is one of the most important economic concepts in the A-level economics specification, especially in microeconomics. Figure 2.1 reminds us of the distinction explained in Book 1 between short-run and long-run production and cost theory. However, in this lesson we explain how the law of diminishing returns determines the shape of the marginal returns curve (in short-run production theory) and the marginal cost curve (in short-run cost theory). Likewise, we explain how the long-run concept of returns to scale is a major	For households at the bottom of the income distribution, severe income inequalities are an important cause of poverty (although, as mentioned above, pro-free market economists argue that the resulting incentives provide a route out of poverty). However, poverty has causes other than those associated with income inequality, and we shall examine these later in the lesson. 15. In Lesson 5 of Book 1, we introduced you to the circumstances in which markets can fail and then went on to explain examples of market failure such as public goods, positive and negative externalities and merit and demerit goods. In this lesson, having briefly revisited these examples of market failures, we look in more detail at externalities and merit and demerit goods by introducing, and then applying, the concepts of marginal private and external cost and benefit. The lesson then focuses on environmental externalities, property rights and information problems associated with market failure.		

prices) it charges for its goods, in order to sell more. Sometimes, however, cutting prices has an 'anti-competitive' motive. Prices are cut in order to drive rival firms out of the market. The end result is the creation of a concentrated market structure containing just a few surviving firms, or perhaps only one firm. The latter is a pure monopoly, the most extreme form of a concentrated market. In this lesson, we compare monopoly and other concentrated markets, with the polar opposite, perfect competition, which is the most extreme form of competitive market. We explain that while perfect competition does not actually exist in the real economy, it acts as a useful 'yardstick' for judging the desirable features of the competitive markets that do exist.	7. This lesson is about macroeconomic theory. The two main bodies of macroeconomic theory, or macroeconomic models, are explained in some detail. These are the circular flow and the aggregate demand/aggregate supply (AD/AS) models of the economy. The lesson then goes on to look at related macroeconomic concepts, such as the components of aggregate demand (consumption, investment etc.) and the multiplier concept. The final two topics of the book will continue the task introduced in this lesson of applying macroeconomic theory to the analysis of current economic problems and the evaluation of government economic policies. 8. This lesson returns to a number of topics mentioned briefly in topics 6 and 7. It focuses on the core macroeconomic topics of economic growth, unemployment, inflation and the balance of payments, explaining and exploring the topics in greater detail than was the case in the earlier topics. In particular, the AD/AS macroeconomic model introduced in topic 7 is used to analyse various	determinant of the shape of long-run cost curves. In contrast to production and cost curves, a firm's revenue curves are determined by the competitiveness and structure of the market in which the firm sells its output. The main forms of market structure, shown in the lower part of Figure 2.1, are explained and analysed in Lesson 3. 12. Lesson 2 has already introduced you to the two market structures of perfect competition and monopoly, and briefly mentioned the imperfectly competitive market structures of monopolistic competition and oligopoly that lie between the two extremes on the market structure spectrum. This lesson draws on the information about cost and revenue curves explained in Lesson 2 to explain profit maximisation in perfect competition and monopoly. After evaluating these two market structures using efficiency and welfare criteria, the lesson then looks at the two intermediate market structures of monopolistic competition and oligopoly. The order in which we cover the different market structures differs from how they are set out in the A-level specification. This	The second half of the lesson introduces some 'industrial policy' issues. These are government competition policy, public ownership versus the privatisation of industries and services, and the regulation and deregulation of markets		

	issues related to each of the topics. The lesson is about economic performance. A country's macroeconomic performance can be judged by how successful the economy is at achieving the four main objectives of macroeconomic policy outlined in Lesson 6. Can the economy achieve and then sustain a satisfactory rate of economic growth, relatively full employment, relative price stability and control of inflation, and a degree of trading competitiveness in international markets?	is because we believe that it is easier to appreciate the nature of monopolistic competition and oligopoly after first understanding monopoly.			
Home – Learning: • Economic methodology and the economic problem • Individual economic decision making • Practice exam questions	Home – Learning: • Price determination in a competitive market • Production, costs and revenue • Perfect competition, imperfectly competitive markets and monopoly • Practice exam questions	Home – Learning: • The labour market • The distribution of income and wealth: poverty and inequality • The market mechanism, market failure and government intervention in markets • Practice exam questions	Home – Learning: • The measurement of macroeconomic performance • How the macroeconomy works : the circular flow of income, AD/AS analysis, and related concepts • Economic performance • Practice exam questions	Home – Learning: • Financial markets and monetary policy • Fiscal policy and supply-side policies • The international economy • Practice exam questions	Home – Learning: Practice exam questions
Reading / literacy: AQA A-level Economics Book 2 by Ray Powell - James Powell. AQA A-level Economics Book 1 Ray Powell - James Powell. AQA Economics A2 textbook Jim Lawrence - Steve Stoddard AQA Economics AS Textbook Alasdair Copp - Jim Lawrence - Steve Stoddard AQA AS A-Level Year 1 Economics John Wolinski Malcolm Surridge-Cross Academe AQA AS A-Level Year 2 Economics John Wolinski Malcolm Surridge-Cross Academe Bank of Keywords - Subject specialist vocabulary.					

Numeracy:

- calculate, use and understand ratios and fractions
- calculate, use and understand percentages and percentage changes
- understand and use the terms mean, median and relevant quantiles
- construct and interpret a range of standard graphical forms
- calculate and interpret index numbers
- calculate cost, revenue and profit (marginal, average, totals)
- make calculations to convert from money to real terms
- make calculations of elasticity and interpret the result
- interpret, apply and analyse information in written, graphical and numerical forms.

Enrichment / opportunities to develop cultural capital (including careers, WRL and SMSC):

- Curriculum day / week visit: Private and Government Economic institutions
- External visitors: Private and public sector
- Enrichment: Boosters, Debating Society, Essay and Blog competitions, University Open Days and Taster courses
- Visit to the Bank of England