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Edexcel economics getting started guide

Edexcel Exam Board NB: This information is for those who sit on the Economics exam (2008), Edexcel has recently introduced an Economics exam (2015) that is not fully covered here. For those of you who study A-Level Economics with the Edexcel exam board, this is the page for you! I studied A-Level Economics myself with this board and achieved an A*, so I hope I can help you in all the tips to get a good grade in this subject. This page was created to impart all my best tips from the beginning. Although your word I hope you find it useful. First, choose the learning stage you are in: Just Starting Review Exam Advice Stuck and you're not sure what to do... You can also find a copy of My Recommended Reading List, Previous Documents/Brand Schemes, and Specification. Start getting started... For those of you who have just started the course, or who are doing some preparation on the summer holidays before you begin, I would recommend that you buy the necessary books. The main book I would recommend is Peter Smith Edexcel AS Economics (the latest version) for his main reading, this is the book I used most in year 12. For Yr 13 (A2) I would also recommend Peter Smith - Edexcel A2 Economics (latest version). My teacher also recommended getting Alain Anderton's A-Level Economics for Edexcel volume which is quite expensive, and in my opinion not organized very well, but on the plus side contains material for AS and A2 and is more prescriptive than Smith. As long as your local school or library has a copy of this book that you can use as a reference, then I don't think there's a need to get this book. Although you haven't started your course yet, you may want to buy the review guides now, I found it very useful, as they provided additional information to the book and made the material much more concise. The review guides I would recommend are Mark Gavin (Edexcel AS Economics Student Unit Guide: Unit 1 Competitive Markets - How They Work and Why They Fail), Rachel Cole (Edexcel AS Economics Student Unit Guide: Unit 2 Managing the Economy), Marwan Mikdadi and Rachel Cole (Edexcel A2 Economics Student Unit Guide: Unit 3 Business Economics and Economic Efficiency) and, Finally, Quentin Brewer (Guide to the Student Economics Unit Edexcel A2: Unit 4 The Global Economy). Now that you have bought the books get the reading! The more high school reading I can do before class, the better. This means you'll have more time in class to understand concepts in more detail and participate in class discussions rather than worrying about understanding the basics. When reading and while in class it is important to make detailed notes. Buy a folder of files for you can keep all your work in one place (you had a folder for each of the 4 units) and in this way you can sort your work so that the relevant topics are all next to Get a copy of the Edexcel exam specification (copy below) so you can mark each time you learn a concept on the specification sheet. This means that when you're about to reach test time, you'll have a list of everything you've learned and you'll also know what you still need to learn. This is also very useful for reviewing and is a great time saver if you know what still needs to be done, not to mention the effect of increasing morale - the next time you think you don't know anything about the economy just look at the specification sheet to see everything you know! If you've just started your course you should have a little time on your hands (well a little more than you will during the hectic exam season) and something I would definitely recommend you do from the beginning is take an interest in economic news. Buy The Economist, read blogs online (check mine here), definitely read/watch the news (the BBC has a good business/economic page) because this will allow you to add context to your answers in your exams. Examiners don't just want to see students who know concepts and can read a book. They want to see people who are excited about it and who have been interested outside of school by keeping up with the latest trends on the subject. If you are able to relate concepts to real-life events, then you will be able to get complete brands. This is particularly relevant for Unit 4 (Global Economy) where brands are specifically dedicated to students who can relate concepts to real-life events. For example, when talking about the trade deficit try to name some countries that have a trade deficit, and perhaps investigate why they have a trade deficit and whether this is a bad thing or not. Also, try reading some books outside the curriculum to try to expand your knowledge. You are still allowed to talk about these books and what you have learned in your exam (as long as it is relevant) and give the examiner something different to read. Remember that the examiner reads hundreds of scripts and therefore likes a change in the same monotonous text that they read constantly. If you are impressed, then you can give it more marks, or at least read your script in more detail! My last tip for those just started is to ask a lot of questions! If you don't know something or think your understanding might be a little misty ask someone! There are a lot of people to ask - their classmates, their teacher, friends/family who have studied economics, there are many forums and blogs on the Internet, including mine! If you're still stuck, why not send me a message and I'll do everything I can to help! For those of you who sit summer exams (which should be almost all of you!) I'd start checking at Easter if you hadn't already. First things first, you need a plan - get a copy of the exam specification and create a review (do this in conjunction with your other exam subjects, ideally you should spend the same time on each topic unless you are super sure) on the list when you need to be reviewing for the economy and what concept you will look at. There are many different ways to learn depending on how you learn best. For some people this could mean watching videos - log in to youtube and get search; there are a lot of videos out there to help you. If you prefer to listen to help you learn, why not look for cheap podcasts? I don't know about podcasts in particular, but I'm sure there's a lot of them out there. If you find any useful then send me the details and I can present it in a blog post or on this page to help other students! For those who prefer more conventional book reading, try re-reading through your textbooks (recommended) to make sure you haven't missed anything and to refresh your memory. While you're doing this, take notes so you don't forget. A useful method of reviewing is to put all the key points and concepts for each chapter in a great post-it note at the beginning of each chapter. This not only allows you to review your book and easily know what each chapter is about, but it also helps you understand whether you can talk about a concept concisely. Get the review guides (recommended) and read the following. While you're reviewing make sure you take a lot of notes, try connecting different concepts - economics is a very interconnected topic, so try making links between different concepts. Make posters (which you can paste on doors or around your room) and draw spider diagrams for each theme. Invite your classmates so they can discuss different concepts and test each other. Try to explain to a classmate or a non-economically known friend some of the things you've been reviewing, studies have shown that those who are able to teach a topic get to learn much better than the people they review for themselves. Make review cards with theory names on the front and then an explanation on the back, try to remember the explanation without looking! Compose a list of key and inexpensive 'jargon' terms that can get your parents tested to make sure you know all the definitions. Don't forget to check with your teacher and see what they think you need to do to improve. To get product brands on the exam you need to be able to write good essays as well as just learn the material. Use the above documents (see below) by reviewing each of them and attempting them. Once you have tried them, ask your teacher to mark them, in the meantime you should review the paper mark scheme yourself, you see how many marks you would have given yourself and where you think you fell and then compare this information with what your teacher said. NEVER look at a question paper and then go straight to the brand mark without trying the paper. This won't help you at all and there aren't enough past papers for you to do this! Even if you struggle with a piece of paper, you persevere, at least you make notes about what you could write and then look at the brand scheme. The Edexcel website has examiner reports for each exam, these are very useful as the examiner discusses what they wanted from students, and they talk about where students fell. Take a look at these, the examiner is telling you what to write and what to learn - use it! Note something that examiners repeatedly point out, if the student population does not understand a concept repeatedly, then the question is likely to appear again on future exams until students fully understand it, so the examiners' report gives you an idea of the type of topics that may arise in your exam. Finally, take a look at the specification below (this is the same as the Edexcel website), each key concept is linked to a page on this site with the information I prepared for my exam, take a look at this, it could help! Exam Tips... What to expect - definitely read the front of each paper (long before the exam) to get used to the paper format. Hopefully, you should have done enough previous documents to know which sections you need to respond to, etc. Be sure to take a pen (usually it has to be black) and be sure to perform all the instructions on the front of the page. While you're unlikely to lose marks for not complying (although there may be other punishments, such as fines), it can annoy the examiner and may be less generous. Also, if you end up answering the wrong question/wrong number of questions, then you may well get a lower rating than you should. Unit 1 and Unit 3: consists of sections A and B. In Section A you have to answer 8 mandatory questions that are checkboxes, followed by an explanation. By selecting the correct multiple choice answer, you get 1 mark, and then you can get another 3 of an explanation. Please note, you can get explanation marks even if you did not get the right multiple choice, therefore, if you are not sure of the question still give you a try - you have a 1/4 chance of getting at least 1 mark! The explanation, as a general rule, should consist of the relevant definition (often given a mark), an explanation of this theory, and why the other options are incorrect, a diagram if relevant can also obtain a mark. Section B gives you two questions to choose from, just select ONE. The question is usually long and is divided into subsections 5/6. Remember to respond to Subsection. If you can't respond to a part (try to try it, even if you have to guess, there's a higher chance of getting some marks if you write something than if you don't write anything) and then move on to the next part. Most candidates given 90 minutes to complete this document and I recommend dividing Section A and Section B evenly, giving each part 45 minutes. There are 8 Section A questions, so spend approximately 5/6 minutes on each question. In section B, spend 5 minutes reading and rereading the blur that normally accompanies the question, as well as carefully reading the question to make sure you understand it and complete all parts of it. When drawing diagrams, don't forget to use a ruler and pencil, making sure you've correctly labeled the curves and axis, as well as the diagram title. Don't use a diagram unnecessarily- be sure to relate and refer to it in the question, explaining where it comes from and how it helps in your analysis. Finally, if you have time at the end of the exam, double-check your answers by making sure you have crossed the appropriate number of boxes in Section A and provided an explanation and that you have answered all parts of the question in Section B, you may reread your answers and see if you can add more to them when needed. Unit 2: In these documents you get an option of two questions, and you must answer ONE. You have 90 minutes to answer this question, so you have to make sure it's detailed and well thought out. Before you start writing, make sure you have clearly read the question and understand it. Then plan what you're going to write: the best answers are those that are well arranged, thought out and consistent. Often the question is only divided into 3 parts, so to get complete marks you need to make sure your answer is very detailed, and sometimes quite broad. The question may sound specifically, but you want you to take a broader answer, covering knowledge of other areas. Don't forget the review. This often means disprofuting a theory with other theories, or explaining why something may not be the case. For example, you can say that the increase in public spending (Unit 2/4) leads to an increase in GDP through the fiscal multiplier, but this can be countered by the Ricardian Equivalence theory. An even better assessment would bring real-life evidence to support or counteract one of these arguments. Unit 4: In Section A you have to answer a question from a selection of 3 and in Section B you have the option of two questions from which you have to choose one. Make sure you have knowledge of real-world situations, even if it is useful for all units, is especially relevant to Unit 4. This is how you get the highest ratings, so it's relevant to the real world. For example, if you talk about government borrowing and taxes, you may memorize some figures for the UK another economy that is interested), which shows the examiner who read off the subject. In advance - the best advice is probably not to try to reread the night/morning before. A little review can help, especially if you find a nugget nugget information that is

interesting and relevant that was lost in most of its review. But you still shouldn't be learning important new concepts a few days before your exam! Do yourself a favor and make sure your review is enough to keep this from happening: it's not worth the stress. Personally, I read my brief notes (created during the review of my main notes created when I actually learned the material) and review guides, as well as test myself in definitions for which I created a definition sheet so that I could learn the definitions textually. Afterwards - some people like to discuss what they wrote on their exams with their peers, or consult online forums like TheStudentRoom to see what other people did. If this works for you, like it did for me, then that's fine. My personal belief was that exams should be learned from and therefore I wanted to know where I was wrong in my exams. For some people, discussions after the test only serve to stress them. Don't do it in this case! Tell them friends this beforehand, so they know they don't bother you. At the end of the day the exam has been completed and no amount of concern will change what you wrote; it's best to focus your energy on the next exam, or just rest. Stuck and not sure what to do...? If you have come to this section just before the STOP exams! Don't be scared. That won't help the situation. Check with your friends and teachers for what you should be doing, and get on with some reading and reviewing. There are loads (read above) that you can do to prepare, but ultimately, you will do better on the exam if you are well rested, so don't pull all night before the exams (but be sure to do some review!). If you have plenty of time left, read this whole document for study and review tips. If it doesn't help, you can talk to your classmates in your subject, your teacher, a career advisor (if available) as well as your parents/family. There are also many other websites, forums and chat rooms where you can get tips. Specification Understand the problem of unlimited desires and finite resources. Students should understand that the economic problem faces consumers, producers and government. Distinguish between renewable and non-renewable resources. Students should understand the meaning of sustainable resources. Frontier Production Possibility Use the boundaries of production possibilities to represent opportunity cost, economic growth, and efficient resource allocation. Distinguish between movements along and changes in borders from the possibility of production. A marginal analysis is required to represent the cost opportunity. A basic definition of economic growth is required along with knowledge of the factors that could cause the frontier of production to move outwards or inwards. Understand the pros and cons of specialization and division of labor. Mixed and free-market economies Understand the pros and cons of a free-market economy and why there are mixed economies. Positive and normative statements Distinguish between objective statements and value judgments on economic issues. Demand Curve- Movements and changes Understand how a price change causes a movement along a demand curve. Understand factors that can cause a change in the demand curve, such as changes in the price of substitutes or complementary products; changes in income and real tastes. YED supply curve (normal and lower goods); Movements and changes Understand how a change in price causes movement along the supply curve. Understand the factors that can cause a change in the supply curve, such as changes in production costs, the introduction of new technologies, indirect taxes, and government subsidies. Producer cartels can be a significant determinant of supply in some markets, such as oil. Students should be able to apply specific taxes and ad valorem to a market. Explain the elasticity of the offer price; understand the factors that influence the elasticity of supply prices. Distinguish between the short term and the long term in the economy and understand its importance to the elasticity of supply prices. Students may have to calculate and interpret numerical values of offer price elasticity. Explain the price and amount of balance and how they are determined. Understand how the functioning of market forces eliminates over-demand and oversupply. Students should understand that changes in demand and supply curves will change the price and amount of balance. Consumer and producer surplus Distinguish between consumer and producer surplus. Illustrate the surplus of consumers and producers in a demand and supply diagram. Students should understand how changes in demand or supply could affect the surplus of consumers and producers. Functions of the Pricing Mechanism Understand the functions of rationing, incentive and signalling of the pricing mechanism to allocate scarce resources. The pricing mechanism can be considered in the context of the commodity, commodity and labour markets. Apply the pricing mechanism in markets, such as goods, services, commodities or labour. Students should be able to apply demand and supply determinants to various markets, for example, the price of stock market shares, precious metals and agricultural products. Indirect taxes and subsidies Use supply and demand analysis to demonstrate the impact and incidence of taxes and subsidies on consumers, producers, and the government. Students should be aware of the importance of demand and supply elasticities, for example in relation to indirect taxes and government subsidies. Understand the factors that influence demand and labor supply. Work demand for labour is derived from demand for the final product it produces (derived demand). Understand that factors influencing labour supply include population migration, income and benefit tax, government regulations (e.g. national minimum wage) and trade unions. Illustrate external costs and external benefits using marginal analysis, distinguishing between optimal market and social positions. Areas of loss or gain of well-being are required. Students are only required to illustrate the external costs of production and the external benefits of consumption. Students should assess the costs and benefits of major investment projects, such as sporting events and improvements in transportation infrastructure. Explain why public goods cannot be provided by the market. Distinguish between public and private products. Students should understand the free rider and valuation issues. Imperfect market information Distinguish between symmetrical and asymmetric information. Understand how imperfect market information can lead to poor resource allocation, such as health care, education, pensions, tobacco, and alcohol. Understanding the geographical and occupational immobility of labour can lead to structural unemployment. Students should understand the importance of housing prices in restricting geographical mobility of work and skills shortages to restrict labour mobility. Evaluate government measures to reduce the immobility of factors, such as training programmes and relocation grants. Unstable Commodity Markets Methods of Government Intervention Understand the different measures of government intervention to correct market failure, such as indirect taxation, subsidies, buffer stocks, tradable pollution permits, extension of property rights, state provision and regulation. Apply, analyze and evaluate the effectiveness of each method of government intervention to correct market failure. Students should be able to implement government economic measures in a variety of contexts, such as road prices, landfill tax, carbon offset and carbon trade, renewable energy certificates. Define and explain different types of government failure, for example, undesirable results of agricultural stabilization policies; environmental policies; transport, housing and the national minimum wage. Students should understand that government intervention can result in a loss of welfare. Students should understand the economic arguments to and against an increase in the national minimum wage. Test your knowledge - try the Understanding Economic Growth and Its Limitations questionnaire, for example: insufficient measurement of economic growth as a measure of standards of life problems comparing developed and developing countries. An understanding of the following distinctions is required: nominal and volume and total value and per capita. Understand the process of calculating the inflation rate in the UK. Increases in cost of living are measured using an index based on a weighted basket of goods and services. A price survey and a family expense survey are used. Understand the importance of the measure. Students are expected to be able to assess the main inflation criterion currently used as a target in the UK. Employment and unemployment Understand how employment is measured in the UK. An understanding of measures to measure unemployment, such as the count of claimants and the actions of the International Labour Organization (ILO), is required. Understand the types and costs of unemployment. Understand the importance of changes in employment and unemployment rates. The importance of migration for employment and unemployment should be considered. Understand the meaning of balance-of-payments deficits and surpluses in the current account. In this unit, emphasis will be placed on the balance of payments current account and, in particular, on the trade balance of goods and services. Understand the causes and costs of a current account imbalance, at a basic level. Development Measures - HDI Understands the advantages and limitations of HDI when comparing living levels between countries. Students should be aware of all three HDI components and should be able to interpret HDI data. A Definition of Purchasing Power Parities (PPP) is useful. Other development measures. For the percentage of adult male labour in agriculture, the combined primary and secondary school enrolment figures have access to safe drinking water, per capita energy consumption access to mobile phones for every thousand of the population. Understand that national income can be shown as a circular flow. Students find it helpful to draw a simple diagram of the circular flow of income. Income and wealth include the likely correlation between income and wealth. Wealth can be seen as a concept of stocks, while income is a flow. Injections and withdrawals Analyze the impact of injections and withdrawals on circular flow. For example, increased investment can increase spending on an economy as well as productive capacity. Understand the factors that influence AD components. Students should understand the relative importance of these components, for example, consumption comprises approximately 65 percent of AD. Understand the main influences on consumer spending, for example: interest rates; consumer confidence; effects of wealth. Understand how changes in house prices can affect consumers. Recognition of the importance of consumption as a component of AD should be used as an evaluative tool. Understand the main influences on investment, for example: interest rates; confidence levels; risk; influence government and regulations. Understand the main influences on public spending, for example, the deliberate manipulation of the economy through fiscal policy. Students should understand that the budget does not have to be balanced in the short term, and be able to assess the impact of an imbalance in the revenue stream. Exports - Imports Understanding the current account impact of factors such as: a change in exchange rate changes in the state of the world economy These influences are required, for example: exchange in the exchange rate could have opposite effects in the short and long term, a stronger currency makes exports relatively uncompetitive, and imports relatively cheap. This decreases AD as the value of X drops and the value of M increases. the elasticity of export and import demand prices can be very low, meaning that the stronger currency worsens the short-term current account. AD curve movements and changes Understand why AD leans down. Display the relevant offsets in the AD curve when one of the components changes. Students should distinguish between component levels and component changes. For example, falls in the investment rate may mean that AD rises more slowly. Understand the factors that influence the amount companies are willing to supply at various prices, such as production costs, investment level, availability of production factors. Students should be able to illustrate spare capacity in an economy. AS curve movements and changes Explain factors that could cause a change in AS. Factors may include: changes in raw material costs; a change in the level of international trade or exchange rates; technological advances; relative changes in productivity; changes in education and skills; regulatory changes. Students should be able to show relevant changes in the AS curve. Understand the concept of real balance of domestic production. The ability to apply the AD/AS model to real-world situations is expected. Explain the size of the multiplier, using the concept of marginal propensity to consume; apply the multiplier to changes in AD. Students should be able to explain the impact on the multiplier's economy. Evaluation points include difficulty measuring it; the time it takes to get into full effect and the size of the leaks. Real and potential growth Identify trends in growth rate; sustainable growth; production shortages in developed economies. Changes in the level of changes in the GDP growth rate, for example, the level of GDP continues to increase as an economy grows at a slower pace, as long as growth is positive. Causes and Restrictions of Growth Explain the importance of factors such as investment or innovation; restrictions may be in terms of lack of capital markets or government instability. Student Students Consider some of the following, for example: impact of changes in birth rates Students should understand changes in injections and leaks affect changes in income flow. Understand the benefits of growth for higher-living citizens, businesses (increased profits) and government (e.g. increased tax revenues). Students may consider whether an increase in income necessarily understands the adverse consequences of growth for the environment; Payment balance issues; distribution of income and the opportunity cost of growth. The evaluation might consider whether the benefits or costs are higher, measurement difficulties, and changes over time. Identify, outline and evaluate the main current macroeconomic objectives. Objectives may include higher economic growth; inflation control; a reduction in unemployment; restoring balance in the balance of payments; making income distribution more egalitarian; and environmental protection. Conflicts between objectives Consider basic conflicts between objectives, such as inflation and unemployment; economic growth and sustainability. Possible trade-offs include those between inflation and unemployment; growth and sustainability; balance in the Balance of Payments current account. Understand the practical application of monetary and fiscal policy, for example, the inflation target; the role of the Bank of England's Monetary Policy Committee; the impact of budget deficits on aggregate demand. Diagrammatic treatment is required, using AD/AS analysis. Students require knowledge of how the Bank of England's Monetary Policy Committee works in the UK; the factors you take into account when making your decisions; problems in determining the magnitude of the effects of these policies. Identify measures used to increase the productivity of factors, such as education and training; measures to increase incentives, such as changing profit levels; reduce the costs of bureaucracy in companies. Diagrammatic treatment is required, using AD/AS analysis. Difficulty operating supply-side policies without an impact on aggregate demand is a useful tool for evaluation. Students need to know the issues to determine the magnitude of the effects of these policies. Conflicts resulting from the use of policy instruments Understand that the use of one macroeconomic policy can outweigh the impact of another, for example: conflicts between fiscal and supply policies the impact of fiscal policy that could have inflationary effects in the short term, but which can be deflationary in the long-term use of fiscal policy to incorporate environmental objectives, for example by using the impact of green taxes on a change in interest rates on income distribution. The evaluation in this section could include difficulty to measure short- and long-term conflicts, or the importance of policy prioritization. Students can consider whether policy instruments can affect other variables in the economy, and consider the consequences for aggregate demand and supply, for example: the interest rate can influence the exchange rate and the impact on competitiveness, the level of public spending could affect the amount of money in the economy that can influence the interest rate. behavioral theories, for example, satisfaction. Students should be able to distinguish between forward, vertical and conglomerate integration, and know the reasons for such mergers/acquisitions. Students will need to know why some companies tend to stay small and others grow. Students should also understand the reasons for disintegration. Illustrate and perform simple calculations using total income, median income, and marginal income. Students will need to be able to draw and interpret income curves and understand the relationships between total income, elasticity of demand prices, and marginal income. Illustrate and perform simple calculations using the total cost; total fixed cost; total variable cost; average total cost; average fixed cost; average variable cost and marginal cost. Students will need to be able to draw and interpret cost curves; distinguish between short-term and long-term costs; and explain the shape of the average cost curve in terms of declining marginal yields and economies of scale. Economies and economies of scale Identify economies and dissymies of scale. Students should be able to distinguish and give examples of internal and external economies and diseconomies of scale. Productive and assignive efficiency Understand and distinguish between productive and attributive efficiency. Students should know that the minimum point on the average total cost is the most productive point and that allocation efficiency occurs where the price is equal to the marginal cost. Students should also understand the meaning of inefficiency, for example, inefficiency x. Normal and supernormal benefit Understanding the distinction between normal and supernormal benefit. This may be related to understanding the company's goals and the ability of different companies to make normal and supernormal profits. Explain and illustrate the concept of maximizing profits using marginal cost and marginal income. Barriers to market entry and exit Understand the meaning and types of barriers in and out and how they affect business behavior. Examples of barriers to including economies of limit prices; legal obstacles, such as patents; sunken costs, for example, advertising. Students are expected to discuss the importance of barriers to entry and exit to companies operating in different market structures. Understand market concentration ratios and be able to interpret the meaning and meaning for business behavior. Understand the assumptions of perfect competition and be able to explain the behaviour of companies in this market structure. A diagram-based analysis of the market structure is required both in the short and long term. Students are expected to understand the importance of companies as price takers in perfectly competitive markets. An understanding of the meaning of the closing point is required. The impact of industry entry and exit should be considered. Understand the characteristics of this model and be able to use them to explain the behavior of companies in this market structure. A diagram-based analysis of the market structure is required. Students should be able to explain sources of monopolistic power, such as the degree of product differentiation and barriers to entry. Explain and evaluate the efficiency differences between perfect competition and monopoly. A schematic explanation is expected to compare the two market structures. Explain and evaluate the potential costs and benefits of monopoly for both businesses and consumers, including the conditions necessary for price discrimination to take place. Diagrams should also be used to support understanding price discrimination. Explain and evaluate the characteristics and conditions needed for a monopsony to work. Assess the potential costs and benefits of a monopsony for both businesses and consumers. Students should be aware of the importance of monopoly energy for companies operating in a particular market, for example, the impact of supermarket monopsony energy on suppliers. Understand the characteristics of this market structure with special reference to the interdependence of companies. Be able to explain the behavior of companies in this market structure. Students should be able to explain that oligopolistic markets have high concentration coefficients, in which a company's decisions on price, production and other competitive activities can have immediate effects on other competitors. Explain the reasons for the colusory and non-colusory behavior. Assess the reasons why companies may wish to pursue both tacit and tacit collusion. Use a simple game theory to illustrate the interdependence that exists in oligopolistic markets. Understand the characteristics of a monopolistically competitive market and be able to use them to explain the behavior of companies in this market structure. Students should be able to conduct a schematic of the structure of the market both in the short and long term. Students should understand the importance of advertising and differentiation for the monopolistic competency model and be able to contrast this with other market structures. Students should be able to explain and evaluate the efficiency of monopolistic competition. Define concursability and understand how the threat of new participation can influence and the market performance of existing companies. Students should be able to understand the relationship between sunken costs and the degree of competition, examples may include banking, the airline industry, and gasoline retailing. Government intervention to maintain market competition Explain and evaluate measures to increase competition between companies and their impact on prices, production and market structure. Students should be able to explain why governments can intervene to foster competition, or prevent monopolies and mergers. Compare and evaluate the strengths and weaknesses of regulatory methods, such as price limitation, price tracking, and performance goals. Students will need to be aware of various types of private sector participation in public sector organizations, including procurement, competitive bidding and public-private partnerships (PPP/PFI). Unit 4 Identify the factors that contribute to globalization. For example: trade liberalization; reducing the cost of communications; greater importance of transnational corporations. Identify the benefits and costs of globalization. Students should consider sustainability and environmental degradation as part of trade costs. Identify trade patterns between developed and developing countries. Students should be aware of changes in trade flows between countries and their reasons, for example, the potential impact of China and India on global trade patterns and the possible reaction of developed economies. Specialization and Comparative Advantage Understand the benefits and costs of specialization and trade; the law of comparative advantage. Students should understand the distinction between absolute and comparative advantage. Emphasis should be placed on the importance of opportunity cost. The comparative advantage can be illustrated numerically and schematically. The WTO understands the role of the World Trade Organization (WTO) in trade liberalization; commercial blocks. The distinction between the different types of trading blocks must be understood. Possible conflicts between trade blocs and the WTO should be examined. Restrictions on free trade Identify possible restrictions on free trade: reasons and rates, e.g. tariffs, quotas, non-tariff barriers, subsidies to domestic producers. Schematic representation of tariffs (to include changes in government welfare and income) is required. Identify the potential effects of protectionist policies on the allocation of Students should examine the cases of protectionism currently in the news. Understand the different components of the balance of payments. For example: the current account of trade in goods and services, as well as accounts that show short- and long-term capital flows. Current account deficits and surpluses Understand the factors influencing the size of deficits and surpluses in the different components of the Payments; deficits and current account surpluses. Students should consider whether these current account surpluses and deficits are important and consider measures to reduce these imbalances. The importance of global imbalances should be examined. Understand the factors that influence exchange rates. Students should consider the importance of relative interest rates; relative inflation rates; speculation. Consider the impact of changes in exchange rates. For example, the implications for competitiveness. Understand the benefits and costs of monetary unions. For example: the effects on the inflation rate; unemployment; Balance of Payments and economic growth. Students could focus on the eurozone. Competitiveness Measures Consider competitiveness measures. For example: relative unit labour costs and relative export prices. Factors influencing competitiveness Consider the factors that influence a country's competitiveness. For example: exchange rate; productivity; wage and non-wage costs; Regulation. Review government policy to increase international competitiveness. For example: measures to improve education and training; investment incentives; Deregulation. Students could examine case studies from particular industries to see how they compete, for example: automobiles; Textiles. Absolute and relative poverty Consider absolute and relative poverty. The ability to understand/sketch a Lorenz curve diagram and Gini coefficients is required. Inequality measurements Identify inequality measurements: the Lorenz curve; Gini coefficient. Students should consider the causes and consequences of inequality and poverty in developed and developing countries and related issues, for example, the extent to which inequality is an essential ingredient of capitalism. Limits on growth and development Consider factors such as: poor infrastructure inadequacies in human capital dependent on the primary product savings gap; inadequate capital accumulation gap in foreign currency capital flight corruption population issues debt poor governance; civil wars. Students are not expected to know country-specific numerical information. Students should be aware of the problems associated with decreasing terms of commerce. Students would benefit from using case studies as a means to illustrate the constraints faced by different economies and the reasons for their different growth rates. For example, they could study a country on each of the following continents: Africa, Asia, South America, North America, and Europe. I do not know country-specific knowledge. Assess the use of policies to achieve economic objectives, including macroeconomic stability. For example, how fiscal policy is used to achieve budget objectives; the role of independent central banks in achieving inflation targets; use supply-side policies to achieve economic growth. Students should have an understanding of the global factors that influence a country's inflation rate; for example, the impact of low wages on developing countries or the impact of rising commodity prices. The AD/AS model introduced in Unit 2 should be applied when analyzing and evaluating these policies. The distinction between short- and long-term aggregate supply curves and the factors influencing each of them should be taken into account. Students should be aware of the problems faced by policymakers in implementing policies, such as inaccurate information; risks and uncertainties. Give reasons for resizing and the pattern of public spending in different countries. Examine how the state could tax income to improve human capital. Students should understand the importance of differences in tax structures; public spending and public finances between countries. For example, students could examine the importance of state sector size differences between a developed economy such as the UK and a developing economy such as Malaysia. Understand taxation: direct and indirect; progressive, proportional and regressive taxes. Understand how governments could use public spending and taxes to reduce poverty. Students should understand the possible link between changes in tax rates and tax revenue. Public Sector Loan and Public Sector Debt Understand the importance of the size of public sector debt and indebtedness. Students should understand the importance of differences in the state of public finances between countries, for example with regard to attractiveness for foreign direct investment and incentives. Ways to promote growth and development Consider factors such as: helping debt relief human capital development strategies look out/looking out for market-free intervention/government industrialization approaches; development of tourism; agriculture microfinance fair trade schemes role of international financial institutions and non-governmental organizations in promoting growth and development. Students should investigate the benefits and disadvantages associated with each of the strategies listed. In addition, the strategy should be considered in relation to some theoretical framework, for example market-oriented approaches; structural change theories; theories of international dependence. With reference to a particular economy, students might consider what theory might be appropriate. Students could examine the use of microfinance and fair trade schemes, as they affect certain countries. The functions of some of the key institutions should be considered and evaluated. PDF Specification Recommendations for Major Textbooks Edexcel AS Economics - Peter Smith (Yr 12 Book) Edexcel A2 Economics - Peter Smith (Yr 13 Book) Book) Economy for Edexcel - Alain Anderton Review Guides Edexcel AS Economics Student Unit Guide: Unit 1 Competitive Markets - How They Work and Why Edexcel AS Economics Student Unit Guide: Unit 2 Economy Management (Rachel Cole) Edexcel A2 Unit Student Economics Guide: Unit 3 Business Economy and Economic Efficiency (Marwan Mikdadi and Rachel Cole) Student Economics Unit Guide Edexcel A2: Unit 4 The Global Economy (Quentin Brewer) Last updated page on 02/07/15 02/07/15

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