

5th Form Economics Transition Programme

Week (teacher)	Dates	Topic	Content	Student work	Resources
1 (CJP)	20 th -24 th April	An introduction to economics	The basic economic problem	Students to make decisions about how to allocate resources in a fictional economy.	Reigatonia (fictional economy)
2 (CJP)	27 th April – 1 st May	Decision-making in the real world	Value judgements	Students to make decisions about how to allocate resources in a fictional economy, with moral and political judgements.	NHS: 2 billion and counting (clickview) Reference to taster lesson (NHS)
3 (CJP)	4 th -8 th May	Economics in the news	Positive and normative statements	Students to identify the economic problem and use of value judgement in news articles.	Newspaper articles (Tutor2u activity PP)
4 (NRN)	11 th -15 th May	Macroeconomic objectives	Government objectives for the macroeconomy	What are their own objectives? Does the government always do what's best for the country? How do they know? Students to identify macroeconomic objectives in news articles and how/why their relative importance may change.	Newspaper articles
5 (NRN)	18 th -22 nd May	Economic growth	Why is economic growth a macroeconomic objective?	Students to build up the arguments for and against economic growth as an objective.	Economics with subtitles (podcast) ClickView video + questions
Half-term					
6 (NRN)	1 st -5 th June	Unemployment	Why is minimising unemployment a macroeconomic objective?	Students to identify government objectives and policies for unemployment.	Newspaper articles
7 (NRN)	8 th -12 th June	Inflation	Why is price stability a macroeconomic objective?	Students to identify government objective and policies for inflation.	Newspaper articles
8 (both)	15 th -19 th June	Presentations	Review of course content	Students to work on individual projects, looking at how the UK Government determines how resources	Course notes

				are allocated and/or a particular macroeconomic objective that they are trying to achieve.	
9 (both)	22 nd June – 1 st July	Feedback	Feedback provided on presentations	Make start on usual Summer holiday transition work.	Summer holiday transition work

Key concepts

The basic economic problem is that scarce resources must be allocated between competing wants and needs.

Scarcity refers to the fact that the world's resources are finite; there are only limited amounts of land, water, oil, food and other resources on this planet. All of the resources on the planet can be categorised into these four types:

- **Land:** The earth and all its natural resources, e.g. a field, oil, corn, wheat, wind, sunshine
- **Labour:** The workforce, e.g. a plumber, a teacher, a computer programmer
- **Capital:** Manufactured resources that are used in the production of goods, e.g. a factory, a tractor, a spade, an oven in a bakery
- **Enterprise:** Business people who set up companies that combine the other factors of production to make goods, e.g. Steve Jobs, Bill Gates, Jeff Bezos, Deborah Meaden, Emma Bridgewater

Those resources are used to satisfy people's **needs** (the limited number things that people need to survive like food, water and shelter) and their **wants** (the unlimited things that people want to consume in addition to their basic needs, like fancy restaurant food, a bigger house, more foreign holidays, etc.).

Because resources are finite (scarce), they cannot satisfy all of our infinite wants and we have to make choices. In making any choice regarding how to allocate scarce resources, something must be given up. This is the concept of the **opportunity cost**; when someone chooses one use for their resources the cost of that choice is forgoing the next best alternative that you had to give up. For example, if you have a choice between spending your allowance on a computer game and going to see a film and you choose to go to see the film, then the computer game was the next best option and is the opportunity cost of going to see the film.

Economics studies the system by which people choose which wants and needs to satisfy with the available resources. It does this by considering three fundamental questions:

- 1) **What to produce?** Is your economy going to make guns, or butter, or flour, or IT equipment, or financial services, etc.
- 2) **How to produce it?** Will labour-intensive production methods be used (where a high proportion of labour is used) or capital-intensive (mostly machines).

- 3) **For whom to produce?** In a capitalist economy or free market, the people who can pay for goods get them. In a command or centrally planned economy, the Government decides who gets what.

Watch this video

[Intro to economics: Crash course Econ #1](#)

Read this article

<https://www.economicshelp.org/blog/glossary/basic-economic-problem/>

Answer these questions: IT IS IMPORTANT TO FOLLOW INSTRUCTIONS CAREFULLY.

Imagine you are in charge of a new, fictional economy called “Reigatonia”. It is a society with 6 students in it including yourself. You have the following resources:

- Land: Broadfield and some seeds (you can choose what type)
- Labour: 5 students
- Capital: Basic equipment, like spades, wood, fencing, canvas, etc. (state explicitly what you will be using in your answer)
- Enterprise: You are the entrepreneur who will be bringing this land, labour and capital together to make goods

Title – THE BASIC ECONOMIC PROBLEM IN REIGATONIA

TYPE a report in a WORD DOCUMENT covering the following points in FULL SENTENCES or USING SUB-HEADINGS You should include any economic terms in GREEN so they stand out. (Success criteria are listed at the bottom of the page)

1. What is the basic economic problem in Reigatonia?
2. What might be the needs and wants in Reigatonia? Be as precise as you can and list as many as you can, not just thinking about what you would choose.
3. For each of the 3 questions which all societies need to answer (below) give 2 possible answers – answer A and answer B.
4. Now list the answer to each of the Qs which you would actually choose.
5. In terms of the answer to the Q ‘What are you going to produce’, if you go with your answer in Q4, what would be the opportunity cost of making this choice? Explain what opportunity cost means, what the opportunity cost in this case is and why.

The 3 Questions all societies must answer;

- 1) What are you going to produce?
- 2) How are you going to produce it?
- 3) Who will you be producing it for?

Now check through the task again and ensure you have laid it out as required and included everything asked for.

Success/assessment criteria:

Upload your completed (word-processed) answers to the Economics Fifth Year Transition Team by **11am on Friday**. Group feedback will be returned the following week.

Your answer should cover approximately a side of A4 (typed) and use the key terms (in **green**) from the key concepts section wherever possible. Whenever you use a key term in economics, briefly define what it means. For example, “the needs of the 6 people in my economy are those things that they need to survive, including food (like bread and vegetables) and shelter (like tents)”.

Glossary

Add all key terms highlighted in **green** to your glossary.

Extension work:

Anderton Textbook Chapter 3 (can be found in Files)

Key concepts

The key economic concepts for this week are the SAME as last week, but we focus on them in an APPLIED way this week. Read them over again and look at the GLOSSARY you produced last week and check if you could define all the terms in green.

The basic economic problem is that scarce resources must be allocated between competing wants and needs.

Scarcity refers to the fact that the world's resources are finite; there are only limited amounts of land, water, oil, food and other resources on this planet. All of the resources on the planet can be categorised into these four types:

- **Land:** The earth and all its natural resources, e.g. a field, oil, corn, wheat, wind, sunshine
- **Labour:** The workforce, e.g. a plumber, a teacher, a computer programmer
- **Capital:** Manufactured resources that are used in the production of goods, e.g. a factory, a tractor, a spade, an oven in a bakery
- **Enterprise:** Business people who set up companies that combine the other factors of production to make goods, e.g. Steve Jobs, Bill Gates, Jeff Bezos, Deborah Meaden, Emma Bridgewater

Those resources are used to satisfy people's **needs** (the limited number things that people need to survive like food, water and shelter) and their **wants** (the unlimited things that people want to consume in addition to their basic needs, like fancy restaurant food, a bigger house, more foreign holidays, etc.).

Because resources are finite (scarce), they cannot satisfy all of our infinite wants and we have to make choices. In making any choice regarding how to allocate scarce resources, something must be given up. This is the concept of the **opportunity cost**; when someone chooses one use for their resources the cost of that choice is forgoing the next best alternative that you had to give up. For example, if you have a choice between spending your allowance on a computer game and going to see a film and you choose to go to see the film, then the computer game was the next best option and is the opportunity cost of going to see the film.

Economics studies the system by which people choose which wants and needs to satisfy with the available resources. It does this by considering three fundamental questions:

- 1) **What to produce?** Is your economy going to make guns, or butter, or flour, or IT equipment, or financial services, etc.

- 2) **How to produce it?** Will labour-intensive production methods be used (where a high proportion of labour is used) or capital-intensive (mostly machines).
- 3) **For whom to produce?** In a capitalist economy or free market, the people who can pay for goods get them. In a command or centrally planned economy, the Government decides who gets what.

Watch this video - before you watch it, read through the Qs you have to answer. You might want to write them out before and draw a table for no.3 before you watch, so you can make rough notes as you watch about the different people and Qs. You might need to keep flicking back in the film.

[NHS: 2 Billion and counting](#) - it will take you to clickview you will need to log onto clickview first with your school email. Once you have done this, if you use this link for a 2nd time, it should take you to the video.

Answer these questions:

You will write about the basic economic problem and decision making in the NHS. TYPE your answers in a WORD document, as FULL SENTENCES or USING SUB-HEADINGS and include any economic terms in GREEN. Success criteria are listed at the bottom of this page and appear in the Teams assignment under Points/rubric (the funny little box/grid thing)

Title – NHS 2 Billion and Counting – Economic Decision Making in the Real World

1. In what ways does the NHS face the basic economic problem?
2. List as many scarce resources that the NHS has as you can think of and next to each, note if it comes under the category of land, labour, capital or enterprise.
3. Produce a table to show the different individuals which need treatment, the treatment they would like, it's cost and it's opportunity cost (alternatives which the resources could be used for as alternatives)
4. How have medical advancements made these choices the NHS faces even more difficult?
5. All decisions about resource allocation are based on value- judgements and different decisions can be reached. What factors do you think the NHS should consider about treatments and patients when deciding how to allocate their scarce resources? State the factors and why.
6. a. Given scarce resources, if you could only treat 1 of the patients in the video, which one would you treat and why?
b. Given scarce resources, if you had to leave one patient without treatment, which one would that be and why.
7. OPTIONAL – The coronavirus means the government is facing decisions about resource allocation in new ways at the moment. Look this topic up and write about some of the difficult choices government and the NHS is having to make at the moment.

Success/assessment criteria:

Check your work through against the task list above and look at the success criteria/points/rubric on the Teams task.

Upload your completed, word-processed work to the 5th Form Economics Teams by **11am on Friday**.

Individual feedback will be provided through Teams in the following week.

Glossary

Check your glossary is complete and contains all the terms in green, plus you could accurately define these terms without looking.

Extension work:

Anderton Textbook Chapter 1 (can be found in Files)

Microeconomics	Week 3	Positive and Normative statements	4 th – 8 th May
Key concepts			
<p>This week we use the SAME economic concepts as in previous weeks, but you will notice some NEW concepts at the bottom of the list. You should read over ALL of them again to check you are precise in your understanding, but focus more on the NEW ones, which will need adding to your glossary. CHECK every term in green in this key concepts section appears in your glossary and is accurate as you will need to submit it this week.</p>			
<p>The basic economic problem is that scarce resources must be allocated between competing wants and needs.</p>			
<p>Scarcity refers to the fact that the world's resources are finite; there are only limited amounts of land, water, oil, food and other resources on this planet. All of the resources on the planet can be categorised into these four types:</p>			
<ul style="list-style-type: none"> • Land: The earth and all its natural resources, e.g. a field, oil, corn, wheat, wind, sunshine • Labour: The workforce, e.g. a plumber, a teacher, a computer programmer • Capital: Manufactured resources that are used in the production of goods, e.g. a factory, a tractor, a spade, an oven in a bakery • Enterprise: Business people who set up companies that combine the other factors of production to make goods, e.g. Steve Jobs, Bill Gates, Jeff Bezos, Deborah Meaden, Emma Bridgewater 			
<p>Those resources are used to satisfy people's needs (the limited number things that people need to survive like food, water and shelter) and their wants (the unlimited things that people want to consume in addition to their basic needs, like fancy restaurant food, a bigger house, more foreign holidays, etc.).</p>			
<p>Because resources are finite (scarce), they cannot satisfy all of our infinite wants and we have to make choices. In making any choice regarding how to allocate scarce resources, something must be given up. This is the concept of the opportunity cost; when someone chooses one use for their resources the cost of that choice is forgoing the next best alternative that you had to give up. For example, if you have a choice between spending your allowance on a computer game and going to see a film and you choose to go to see the film, then the computer game was the next best option and is the opportunity cost of going to see the film.</p>			

Economics studies the system by which people choose which wants and needs to satisfy with the available resources. It does this by considering three fundamental questions:

- 4) **What to produce?** Is your economy going to make guns, or butter, or flour, or IT equipment, or financial services, etc.
- 5) **How to produce it?** Will labour-intensive production methods be used (where a high proportion of labour is used) or capital-intensive (mostly machines).
- 6) **For whom to produce?** In a capitalist economy or free market, the people who can pay for goods get them. In a command or centrally planned economy, the Government decides who gets what.

Economics as a **SOCIAL SCIENCE**

- like pure sciences, Economics puts forward theory or hypothesis, gathers evidence to see if the theory is supported or refuted and then accepts, modifies or refutes the starting theory.

-unlike pure sciences, because Economics deals with humans in society, it is often not possible to set up experiments to test hypothesis because it is not possible to conduct experiments which enable one factor to be varied whilst all others are held constant, as people live their lives.

-social sciences are those such as Economics, Sociology, and Politics which study human behaviour and human behaviour cannot be reduced to scientific laws. This is why Economics often uses language like 'it is likely that..' rather than stating more categorically 'x will lead to y'

Positive and Normative Statements

Positive statements are objective statements which can be supported or refuted by evidence. They can be tested against the evidence to be found to be true or false.

Eg. If the price of gold quadruples, demand for it will drop.

Note – a positive statement does not have to be true, just testable.

Normative statements are subjective statements or value judgements which cannot be tested to be supported or refuted against facts.

Eg. We should all go to bed earlier.

Some Economists say Economics should be mostly concerned with positive statements and the testing of theories which can be proved or dis-proved. However, much economics is concerned with value-judgements about the 'right' decisions to make about resource allocation. There is a cross-over into Politics, because often politicians rather than

Economists make the decisions about resource allocation, and these are motivated by political ideology and not just Economics.

Watch this video / Read this article:

<https://www.tutor2u.net/economics/reference/positive-and-normative-statements>

Tasks;

- a. Access Anderton Chapter 1 in the FILES section of our Team and read it, including the case-studies. Jot down examples of positive and normative statements in Q1 (p.3) and the Net Migration article (p.5)
- b. Using the video and all your reading, identify 4 examples of positive statement and 4 examples of normative statement. (cannot be same as in Qa)
- c. Complete your glossary by adding this week's new terms. Check the glossary is complete (I think there are 16 terms) and upload to Teams.
- d. Look over all your work from these first 3 weeks of Economics and complete the QUIZ in TEAMS.

Note the **DEADLINE is Thursday at 4pm** this week, because Friday is a Bank Holiday.

Note the extension work related to the Economist magazine at the bottom.

Success/assessment criteria:

Upload JUST your glossary into the assignment which is set up on Teams

Complete the Quiz assignment in Teams

Deadline is Thursday by 4pm.

You will see your Quiz score immediately and receive feedback in the following week.

Glossary

Add all key terms highlighted in **green** to your glossary.

Extension work:

Register for a free account with The Economist Online and read up to 5 articles a month, plus receive the daily summary email and have access to special reports.

<https://www.economist.com/help/register>

Macroeconomics	Week 4	Macroeconomic objectives	11 th – 15 th May
<p>Key concepts</p> <p>Macroeconomics: refers to the economy as a whole i.e. on a national scale</p> <p>Macroeconomic objective: a goal the government would like to achieve for the macroeconomy. For the UK these are likely to be: stable economic growth, low unemployment, stable price level, satisfactory balance of payments, stable exchange rate, equal distribution of income, care for the environment and balancing the budget</p> <p>Economic policy: the economic tools and instruments available for a government to use to influence economic performance</p> <p>Government budget: refers to the value of government spending compared with the money earned by the government through taxation over a period of time</p> <p>Policy conflicts: attempts to achieve one economic objective move us further away from another economic objective.</p> <p>Macroeconomic indicator: use of data to help assess economic performance.</p> <p>Economic growth: measures how much the value of output produced in an economy (known as national income) has grown over a period of time, usually over one year. It is calculated as the percentage change in national income over a period of time.</p> <p>Price stability: concerned with how fast the average level of prices of a range of goods and services rises over a period of one year.</p> <p>Minimising unemployment: involves minimising the numbers of those of working age who are looking for work but are unable to find a job.</p> <p>Stable balance of payments (on current account): measures the difference between the value of goods and services sold abroad and the value of goods and services bought from abroad.</p> <p>Balancing the budget: equating the value of government expenditure to the value of taxation raised.</p> <p>Achieving an equal distribution of income: the government would like to ensure that the gap between the richest and poorest in society does not become too wide.</p> <p>Care for the environment: achievement of economic objectives should not come at the expense of the environment now, or for future generations.</p> <p>Stable exchange rate: the value of the £ in terms of other currencies should be stable</p> <p>Do not assume that being unable to achieve an objective means it is not worth trying to achieve it. Getting as close as possible may be seen as good enough. Economics is about making the best use of scarce resources or getting as close as possible to the best use.</p>			

Watch this video

https://www.youtube.com/watch?v=d8uTB5XorBw&list=PL8dPuualjXtPNZwz5_o_5uirJ8gQXnhEO&t=0s

Read this article

<https://www.bbc.co.uk/news/business-52577048>

Answer these questions:**Tasks;**

- a. Watch the video above (Crash Course Economics #5)
- b. Access Anderton Chapter 26 in the FILES section of our Team and read it, including “thinking like an Economist” and Answer Questions 1-3 from Page 146. **Submit answers to Teams.**
- c. Complete the worksheet “Macroeconomics Introduction. Economic performance”. **Submit answers to Teams.**
- d. Continue your glossary by adding this week’s new terms.

Note the **DEADLINE is back to Friday at 11am** this week.

Reminder of the extension work related to the Economist magazine at the bottom.

Success/assessment criteria:

Upload your completed (word-processed) answers to the Economics Sixth Form Programme Team by **11am on Friday**. Group feedback will be returned the following week.

Your answer should cover approximately a side of A4 (typed) and use the key terms (in **green**) from the key concepts section wherever possible. Whenever you use a key term in economics, briefly define what it means. For example, “the needs of the 6 people in my economy are those things that they need to survive, including food (like bread and vegetables) and shelter (like tents)”.

Glossary

Add all key terms highlighted in **green** to your glossary. From this week onwards, we are looking at the **Macro** side of Economics

Extension work:

Register for a free account with The Economist Online and read up to 5 articles a month, plus receive the daily summary email and have access to special reports.

<https://www.economist.com/help/register>

Macroeconomics	Week 5	Economic growth	18th – 22nd May
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Key concepts

Economic growth: measures how much the value of output produced in an economy (known as national income) has grown over a period of time, usually over one year. It is calculated as the percentage change in national income over a period of time.

National income: the total income generated within an economy over a period of time

Gross domestic product: the term used widely to represent the national output of an economy

Short-run economic growth: growth based on increased utilisation of unemployed resources

Long-run economic growth: growth based on increasing the potential output level of the economy

Sustainable growth: economic growth that does not compromise the economy's ability to grow in the future

Real Gross Domestic Product: real variables are those adjusted for changes in the level of prices, adjusting real GDP national income for changes in average prices.

Real GDP per capita: a variable adjusted to give an average amount per person

The main aim of most governments is to maximise the **welfare** of the population. To achieve this, the most usual approach is to target the achievement of economic growth. The argument is that economic growth would raise **living standards** and reduce poverty by increasing job opportunities and by increasing the amount of tax revenue the government has to spend on those in society who need it most.

What constitutes a desirable rate of economic growth? In the past it seemed the UK economy was capable of increasing output by approximately 2.5% a year, largely through advances in technology, improved ways of working and a more educated workforce. Since the financial crash of 2008 however, the UK economy has only been growing at about 1% each year, and likely to be even less in the wake of the Coronavirus.

A further target has been for growth to be steady and **sustainable**. Fluctuations in the growth rate cause uncertainty for individuals, firms and governments and make it harder for them to plan.

There are arguments in favour, and against, the focus on economic growth:

Benefits of economic growth	Costs of economic growth
Higher living standards for the population	Increased environmental damage
Easier for people to find employment	Could have more inequality
Improved social indicators (i.e lower crime, less poverty)	Could lead to more inflation (higher prices for everyone)
More tax revenue for the government	Faster depletion of natural resources
Less spending by government on unemployment benefit and other ways of supporting individuals	
Higher status for UK (& government)	

<p>Watch this video</p> <ul style="list-style-type: none"> • https://online.clickview.co.uk/libraries/videos/3716589/rethinking-economic-growth • https://www.ted.com/talks/kate_raworth_a_healthy_economy_should_be_designed_to_thrive_not_grow?language=en 	<p>Read this article</p> <p>Economics of Happiness article (saved in files – class materials) Anderton Chapter 37 in Teams files</p>
<p>Answer these questions:</p> <p>Answer Qus 1-3 on page 212 of the Anderton textbook – submit on word-processed document in word. Try to develop answers as fully as you can, having watched ONE of the videos above AND the Anderton chapter itself. You can additionally refer to the Economics of Happiness article too.</p>	
<p>Success/assessment criteria:</p> <p>See the rubric but try to think about the different points in the video and article to see alternative ways of judging standards of living.</p>	
<p>Glossary</p> <p>Add all key terms highlighted in green to your glossary.</p>	
<p>Extension work:</p> <p>Anderton Textbook Chapter 37 (can be found in Files)</p>	

Macroeconomics	Week 6	Employment & Unemployment	1 st – 5 th June
Key concepts:			
Unemployment: when those of working age are looking for work but unable to find a job			
Full employment: the level of employment where those who are economically active can find work if they are willing to accept jobs at the going wage rate.			
Welfare state: The welfare state provides material and economic support to individuals in need based on their individual requirements. This can be done by giving individuals support when unemployed, on maternity leave and housing when needed.			
Job seeker's allowance (JSA): the money that is paid by the government every week to unemployed people who are trying to find work			
Zero hours contract: Do not guarantee a minimum number of working hours each week. In the UK labour market, people on “zero-hours contracts” are more likely to be young, part time, women, or in full-time education when compared with other people in employment.			
Cyclical unemployment: unemployment caused by insufficient aggregate (total) demand in the economy			
Frictional unemployment: unemployment caused when people move between jobs			
Structural unemployment: unemployment resulting from mismatches between the labour supply available and the labour demand for differently skilled labour.			
Voluntary unemployment: where people are unwilling to accept a job at the going rate despite there being jobs available			
Involuntary unemployment: where people are unable to find employment at the current market wage rate			
Real wage unemployment: unemployment that exists when the real wage is not allowed to fall to the market clearing level (where labour demand equals labour supply).			
Claimant count: the measure of unemployment in the UK that counts those who are receiving unemployment benefits (normally Job Seeker's Allowance).			
The Labour Force Survey (LFS): based on a monthly sample of people, it records those who report they are looking for work but cannot find it, regardless of whether they receive benefits or not.			
Unemployment rate: the number of unemployed people expressed as a percentage of the current labour force.			
Governments want to minimise the level of unemployment as it brings a number of economic and social costs. There are personal costs to the unemployed (lost income, loss of self-worth, social isolation and less development of skills), costs to the government (lost tax revenue, higher benefit spending) and costs to society (social problems, higher crime, lowered life expectancy, social alienation, lost GDP).			

Watch this video

<https://online.clickview.co.uk/exchange/videos/69908/a-life-without-work-part-2>

Read this article

https://www.bbc.co.uk/news/uk-england-52737706?intlink_from_url=https://www.bbc.co.uk/news/topics/c23ny02v4k9t/unemployment&link_location=live-reporting-correspondent

Complete the following tasks

- Watch the video above (life without work – part 2) and answer the questions in the document with the same title. **Submit answers to Teams**
- Access Anderton Chapter 39 in the FILES section of our Team, focusing particularly on the causes of unemployment and the costs of unemployment. Answer Question 2 from Page 222, giving a sentence to explain why you have chosen that particular type. **Submit answers to Teams.**
- Continue your glossary by adding this week's new terms.

Note the **DEADLINE is 11am on Friday** this week.

Reminder of the extension work related to the Economist magazine at the bottom.

Success/assessment criteria:

Check your work through against the task list above and look at the success criteria/points/rubric on the Teams task.

Upload your completed, word-processed work to the 5th Form Economics Teams by **11am on Friday**.

Individual feedback will be provided through Teams in the following week.

Glossary

Add all key terms highlighted in **green** to your glossary.

Extension work:

Read the BBC article above (and linked articles) to find out more about the impact on unemployment of the current COVID situation

Macroeconomics	Week 7	Inflation	8 th – 12 th June
Key concepts			
Inflation: an increase in the general level of prices.			
Consumer Price Index (CPI): a way of measuring a “basket of goods and services” to enable comparison of price changes over time.			
Wage growth: the amount by which people’s incomes rise over time			
Nominal terms: something (often wages) is said to rise in nominal terms (e.g. pay increase of 5%). Nominal values are the current monetary values.			
Real terms: adjusted for inflation and show prices/wages at constant prices. (e.g with a pay increase of 5%, but with inflation at 3%, the real increase in wages would be 2% (i.e. 5%-3%)			
Disinflation: where the rate of inflation is falling but is still positive.			
Demand-pull inflation: inflation caused by excessively high levels of aggregate demand beyond that needed to generate full employment			
Cost-push inflation: inflation that occurs due to rises in the costs of production incurred by firms.			
Menu costs: the costs associated with updating for changes in prices over time			
Search costs: the costs associated with researching information needed for economic transactions e.g. who offers the lowest price?			
Shoe leather costs: the costs involved in time and money involved in making price comparisons.			
Fiscal drag: taxpayers pulled into a higher tax band despite incomes not increasing in real terms.			
Wage price spiral: If workers get rising wages, they spend more (demand pull inflation) and increase costs for firms (Cost push inflation). This causes inflation. Therefore, next year workers and unions will bargain for further wage increases because they want to maintain their real incomes.			
Deflation: a fall in the average level of prices over time.			
Benign / good deflation: a fall in the price level due to increases in aggregate supply (usually due to falling costs of production)			
Malevolent / malign / bad deflation: a fall in the price level due to a fall in aggregate demand			
Wage rigidity: the situation where wages are sticky and do not fall in line with falling prices			
Commodity: a homogenous product (all output of the product is identical) that is often used as a basic input into production. Common examples are oil, copper, minerals, cotton and basic foodstuffs (e.g. wheat & cocoa). They are often traded on markets to establish a “global” price			

Bank of England: the UK's Central Bank, which amongst other things, is responsible for the attainment of the UK's inflation target (CPI = 2% (+/- 1%))

Inflation was a very common problem in the UK during the 20th century. Since the recession of the early 1990s, it has been less of a problem. In recent years, in both the UK and the rest of Europe, governments have increasingly begun to worry about deflation. Both inflation and deflation are problematic but for different reasons.

Watch this video

<https://online.clickview.co.uk/exchange/videos/72258/extra-ct-inflation-and-real-wages>

Read this article

<https://www.bbc.co.uk/news/business-12196322>

Answer these questions:

Answer Questions 1 & 2, from page 220 Anderton. (on a separate Word document)

Complete worksheet on Inflation and its causes

Success/assessment criteria:

Please see rubric in Teams.

Glossary

Add all key terms highlighted in **green** to your glossary.

Extension work:

Anderton Textbook Chapter 38 (can be found in Files)

Final project: Allocating resources to achieve macroeconomic objectives in the UK.

15th – 19th June

Instructions

Assessment criteria

Success/assessment criteria: