

(O Level/IGCSE) (Economics) (2281/0455)
(Unit no.5): (Role of government in an economy)

Recommended Prior Knowledge

This Unit can be studied without any prior knowledge and it is possible to start the course at this point. There is, however, a number of topics covered in the earlier **Units** including the role of the government in a mixed economy, market failure and government taxes and subsidies in Unit 2 and public corporations and the difference in the pay of public and private sector workers in Unit 3 which will help understanding of this unit.

Context

As already mentioned, the Unit builds on the role of the government in mixed economies, business organisations in the public sector, taxation and differences in earnings between public and private sectors. It also provides a link to topics in later Units, including inflation, unemployment and economic growth in Unit 6, policies to alleviate poverty in Unit 7 and protectionism in Unit 8.

Outline

The Unit starts by describing the government as a producer of goods and services and as an employer and then goes on to describe the aims of government policy in terms of full employment, price stability, economic growth, the redistribution of income and balance of payments stability. It then explores possible government policy conflicts, types of taxation and the government's influence on private producers.

AO	Learning outcomes	Suggested Teaching activities	Learning resources
5a	Students should be able to describe the government as a producer of goods and services and as an employer	Having recapped market failure and the role of the government in a mixed economy, students could examine the theory of government intervention by undertaking the activities in Grant Unit 30. Then they could research in groups what products their government produces and classify them into merit, public and other goods. They could also research how many people the government employs and in what type of jobs. They could then compare their findings with the position in another country. Dransfield, Cook and King have questions in relation to an interesting case study on Cuba (page 114).	Online http://www.tutor2u.net/economics/content/topics/marketfail.market_failure.htm (includes why the state provides public goods, subsidises merit goods and identifies forms of government intervention) Textbooks Grant Unit 30 Dransfield, Cook and King pages 114-115

AO	Learning outcomes	Suggested Teaching activities	Learning resources
5b	Students should be able to describe the aims of government policies, such as full employment, price stability, economic growth, redistribution of income, balance of payments stability	<p>Students could examine government statements on what they are trying to achieve in terms of macroeconomic objectives.</p> <p>They could then assess the government's record by examining data on unemployment, inflation, economic growth, redistribution of income and balance of payments stability. They could compare the record with that of another country. The Economist Pocket World in Figures is a good source for this.</p> <p>Students could then be asked to explore the topic in more depth by doing a presentation on e.g. the causes of economic growth, the advantages and disadvantages of making income more evenly distributed, how the government influences the distribution of income, the causes of a current account deficit, the effects of deflation and why people may stop being unemployed.</p>	<p>Online http://www.ashcombe.surrey.sch.uk/cur-rentun/bs/BS_resources/delete-Feb2010/AS-level (power point presentation on macroeconomic performance) http://www.s-cool.co.uk/alevel/economics/macroeconomic-objectives.htm (how objectives are measured, importance of objectives)</p> <p>Textbooks Grant Unit 31 Moynihan and Titley Chapter 14 Section 1 Dransfield, Cook and King pages 116-125</p> <p>Other The Economist Pocket World in Figures</p>
5c	Students should be able to discuss the possible conflicts between government aims	<p>To appreciate fully the possible conflicts between government aims, it is useful for candidates to examine fiscal, monetary and supply-side policies. Students could be asked to categorise policy measures into fiscal, monetary and supply-side policies, Newspaper articles and news websites are a good source of information about the effects of policy measures and policy conflicts. Students, in groups, could be asked how a particular policy measure may affect the government's macroeconomic objectives and whether there is likely to be any conflict. For instance, they could be asked to consider the effects of a cut in the rate of interest, a rise in income tax, a cut in government spending on benefits, privatisation and a government subsidy to domestic car producers. Students could also be introduced to aggregate demand/aggregate supply analysis at this stage.</p>	<p>Online http://bbc.news.co.uk http://www.bized.co.uk/educators/16-19/economics/macro/presentation/policies-ppt 9power point presentation of fiscal, monetary and supply-side policies)</p> <p>Textbooks Grant Units 32 and 33 Moynihan and Titley Chapter 14 Section 5 Dransfield, Cook and King pages 126-127</p> <p>Other Newspaper articles</p>

AO	Learning outcomes	Suggested Teaching activities	Learning resources
5d	Students should be able to describe the types of taxation (direct, indirect, progressive, regressive, proportional) and the impact of taxation	Students should find out information about the different types of taxes in their own country and in another country. They could be asked to discuss e.g. what are the qualities of a good tax, whether more reliance should be placed on indirect taxes, whether taxes should be more progressive, whether the tax base should be widened and whether tax rates should be reduced. It would also be useful for students to examine the country's budget position. They could be asked to carry out a role playing exercise based on different group's views on what should be in the government's budget. These groups could include government ministers, the unemployed, the retired, families with young children, retailers, manufacturers and bankers.	Online http://www.bized.co.uk/learn/economics/govpol/macropolicies/tax/studenta.htm (an interesting worksheet on taxation) http://www.s-cool.co.uk/alevel/economics/taxation-and-government-spending.html (a variety of issues including principles of taxation) Textbooks Grant Units 34 and 35 Moynihan and Titley Chapter 15 Dransfield, Cook and King pages 128-129
5e	Students should be able to discuss the government's influence (regulation, subsidies, taxes) on private producers	Students, in groups, could be given a government policy objective such as reducing regional unemployment, improving the skills of workers, encouraging a switch from the consumption of high fat to low fat food and ask them to consider whether regulation, subsidies or a change in taxation would be more effective in achieving the objective. They could then be asked to justify their choice to the rest of the class. Dransfield, Cook and King have a useful case study on subsidies to smallholder farmers in Malawi (page 133). At the end of the Unit, students could work through the activities in the section in the Grant Workbook and the questions at the end of the section in Grant. There are also many useful questions at the end of this Unit in Dransfield, Cook and King (pages 136-138).	Online http://www.s-cool.co.uk/alevel/economics/market-failure (covers methods of government intervention) Textbooks Grant Unit 32 Grant Workbook Section 5 Dransfield, Cook and King pages 130-135