(O Level/IGCSE) (Economics) (2281/0455)
(Unit no.6): (Economic indicators)

Recommended Prior Knowledge

This Unit can be studied without any prior knowledge but it does link very closely with the previous Unit especially in terms of the second and third sections on the aims of government policy and the possible conflicts between government aims. It also builds on the role of the government in a mixed economy and market failure in Unit 2.

Context

As already indicated, the Unit builds on the role of a government in a mixed economy, market failure, the aims of government policy in an economy and possible conflicts between these aims. It also provides a link to Unit 7 in terms of differences in living standards and to Unit 8 in terms of the merits of free trade and protection.

Outline

This Unit starts with the definition and calculation of a retail price index, as an example of a consumer price index. It then explores the causes and consequences of inflation. Attention then moves to the changing patterns and levels of employment and the causes and consequences of unemployment. It finally defines the meaning of Gross Domestic Product as a measure of economic output, income and expenditure, explains the link between real GDP and economic growth and considers GDP and other measures and indicators of comparative living standards, such as the Human Development Index.

AO	Learning outcomes	Suggested Teaching activities	Learning resources
6a	Students should be able to describe how the retail price index is calculated	Grant, Moynihan and Titley and Dransfield, Cook and King all cover how a consumer price index is calculated with examples for students to work out. Having covered the theory, students could then be asked to research the compilation of their own consumer price index. They should consider how weights differ between countries and over time and the question of how accurately a consumer price index measures inflation. In considering how representative a consumer price index is, students could calculate a price index for themselves.	**Online** http://www.statistics.gov.uk/downloads/theme_economy/cpi-rpi-information-note.pdf (differences between the RPI and CPI) **Textbooks** Grant Unit 36 Moynihan and Titley Chapter 16 section 2 Dransfied, Cook and King pages 140-143
6b	Students should be able to discuss the causes and consequences of inflation	Students need to be able to define inflation. It is useful to get students to analyse declines in inflation rates so that they can recognise the difference between a fall in the rate at which the general price level is rising and a fall in the price level.	**Online** http://www.bized.co.uk/virtual/dc/copper/theory/th17htm (consequences of inflation)

AO	Learning outcomes	Suggested Teaching activities	Learning resources
		They need to be able to distinguish between demand-pull and cost-push inflation. They could be asked to consider why e.g. a consumer boom and a rise in the price of oil may cause inflation and what type of inflation it would be. Dransfield, Cook and King have an interesting case study on monetary inflation, focusing on the ideas of Milton Friedman and Anna Schwartz (page 145). They could then explore the causes of inflation in different countries by using newspaper articles and news websites. In exploring the consequences of inflation, students could be divided into groups to consider how e.g. the retired, the government , exporters, savers, borrowers, members of trade unions and workers with weak bargaining power are affected by inflation.	**Textbooks** Grant Unit 37 Moynihan and Titley Chapter 16 Sections 1, 2, 3 and 4 Dransfield, Cook and King pages 144-147 **Other** Newspaper articles
6c	Students should be able to describe the changing patterns and levels of employment	It is useful to compare changing patterns and levels of employment over time and between countries. Grant considers patterns of employment in terms of employment in primary, secondary and tertiary sectors, employed and self-employed, private and public sector employment, full-time and part-time employment and labour force participation. Moynihan and Titley also examines labour force participation, full-time and part-time employment and employment by industrial sector. Dransfield, Cook and King cover similar ground and have a useful case study on recent changes in the primary, secondary and tertiary sectors in the United States (page 151). Most governments have websites on which there are details of the country's pattern of employment.	**Online** http://www.statistics.gov.uk/statbase/product.asp?vink=550 (labour market trends in the UK) **Textbooks** Grant Unit 38 Moynihan and Titley Chapter 14 Section 5 Dransfield, Cook and King pages 148-151
6d	Students should be able to discuss the causes and consequences of unemployment	Students need to be aware of how unemployment may be measured and the nature of frictional, structural and cyclical unemployment. They might consider forms of these types of unemployment including seasonal, search and voluntary. They can view the causes of unemployment from both the demand side and the supply side. They could be asked to consider how particular events may affect unemployment e.g. a recession, an increase in the quality of training and education and an improvement in information on job vacancies. Students should consider the costs of unemployment for both the unemployed and the economy. Dransfield, Cook and King have a case	**Online** http://www.bized.co.uk/virtual/economy/policy/outcomes/unemployment/ (costs of unemployment) **Textbook** Grant Unit 39 Moynihan and Titley Chapter 16 Units 6 and 7 Dransfield, Cook and King pages 152-155

AO	Learning outcomes	Suggested Teaching activities	Learning resources
		study on the impact of unemployment on individuals in the United States (page 154). If students have been given a country to report on, they could brief the class on what has been happening to unemployment in 'their' country and why.	
6e	Students should be able to define Gross Domestic product (GDP)	Students need to be aware of the meaning of Gross Domestic Product (GDP) and how it can be measured. It is useful to introduce the circular flow of income to explain how the country's output can be measured by the output, income or expenditure methods. The difference between real and nominal GDP has to be explained before economic growth can be explored. As with inflation, it is useful to get students to analyse declines in economic growth rates so that they can recognise the difference between a fall in the rate at which output rises and an actual fall in output. Students usually enjoy examining the consequences of economic growth. They could be asked to give a presentation on the economic performance of their own economy and the economy they are following and whether the economies would benefit from a higher rate of economic growth.	**Online** http://www.bized.co.uk/learn/economics/development/inequality/standards/student.htm (worksheet on GDP and standard of living) **Textbooks** Grant Unit 40 Moynihan and Titley Chapter 17 Sections 1 – 5 Dransfield, Cook and King pages 156-157
6f	Students should be able to describe simple measures and indicators of comparative living standards, such as GDP per head, Human Development Index	Students could be asked to consider why some countries are ranked more highly in terms of GDP per head than in terms of HDI and vice versa. The UN Human Development Report is a good source of information for this. Students, in groups, could then be asked to consider how useful GDP per head, the HDI and possibly another composite measure such as the Index of Sustainable Development are as measures of living standards and to identify other indicators of living standards. Dransfield, Cook and King have the HDI figures for a number of countries, ranging from Norway with 0.971 to Niger with 0.340 (page 160). At the end of this Unit, students could be asked to complete the activities in Section 6 of Grant Workbook and the activities at the end of the Section in Grant. The questions at the end of the Unit in Dransfield, Cook and King will also be useful (pages 162-164).	**Online** http://www.hdr.undp.org/en/statistics/ (a listing of countries according to level of development) http://www.undp.org/ (development issues) **Textbooks** Grant Unit 41 Moynihan and Titley Chapter 19 Section 2 Grant Workbook Section 6 Dransfield, Cook and King pages 158-161 **Other** UN Human Development Report