

## Theme 1: Year 12 Autumn Term

Week	Topic	Content
1	<b>1.1 Nature of Economics</b>	<p><b>1.1.3 The economic problem</b></p> <p>a) The problem of scarcity – where there are unlimited wants and finite resources</p> <p>b) The distinction between renewable and non-renewable resources</p> <p>c) The importance of opportunity costs to economic agents (consumers, producers and government)</p> <p><b>1.1.2 Positive and normative economic statements</b></p> <p>a) Distinction between positive and normative economic statements</p> <p>b) The role of value judgements in influencing economic decision making and policy</p> <p><b>1.1.1 Economics as a social science</b></p> <p>a) Thinking like an economist: the process of developing models in economics, including the need to make assumptions</p> <p>b) The use of the ceteris paribus assumption in building models</p> <p>c) The inability in economics to make scientific experiments</p> <p><b>1.1.4 Production possibility frontiers</b> (Introduction)</p> <p>a) The use of production possibility frontiers to depict:</p> <ul style="list-style-type: none"> <li>• the maximum productive potential of an economy</li> </ul>
2		<p><b>1.1.4 Production possibility frontiers</b> (Continued from Week 1)</p> <p>a) The use of production possibility frontiers to depict:</p> <ul style="list-style-type: none"> <li>• opportunity cost (through marginal analysis)</li> <li>• economic growth or decline</li> <li>• efficient or inefficient allocation of resources</li> <li>• possible and unobtainable production</li> </ul>

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		<p>b) The distinction between movements along and shifts in production possibility curves, considering the possible causes for such changes</p> <p>c) The distinction between capital and consumer goods</p> <p>If there is time, could consider actual growth versus potential growth and look at growth figures in the UK economy.</p>
3	<p><b>1.1 Nature of economics</b></p> <p><b>1.2 How markets work</b></p>	<p><b>1.1.5 Specialisation and the division of labour</b> (Half a week on this topic)</p> <p>a) Specialisation and the division of labour: reference to Adam Smith</p> <p>b) The advantages and disadvantages of specialisation and the division of labour in organising production</p> <p>c) The advantages and disadvantages of specialising in the production of goods and services to trade</p> <p>d) The functions of money (as a medium of exchange, a measure of value, a store of value, a method of deferred payment)</p> <p><b>1.2.2 Demand</b></p> <p>a) The distinction between movements along a demand curve and shifts of a demand curve</p> <p>b) The factors that may cause a shift in the demand curve (the conditions of demand)</p> <p>c) The concept of diminishing marginal utility and how this influences the shape of the demand curve</p>
4		<p><b>1.2.4 Supply</b></p> <p>a) The distinction between movements along a supply curve and shifts of a supply curve</p> <p>b) The factors that may cause a shift in the supply curve (the conditions of supply)</p> <p><b>1.2.6 Price determination</b> (See also reference to price determination in week 7)</p> <p>a) Equilibrium price and quantity and how they are determined</p> <p>b) The use of supply and demand diagrams to depict excess supply and excess demand</p> <p>c) The operation of market forces to eliminate excess demand and excess supply</p>

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		d) The use of supply and demand diagrams to show how shifts in demand and supply curves cause the equilibrium price and quantity to change in real-world situations
5		<p><b>1.2.7 Price mechanism - Theory</b></p> <p>a) Functions of the price mechanism to allocate resources:</p> <ul style="list-style-type: none"><li>• rationing</li><li>• incentive</li><li>• signalling</li></ul> <p>b) The price mechanism in the context of different types of markets, including local, national and global markets</p> <p><b>1.2.1 Rational decision making</b></p> <p>a) The underlying assumptions of rational economic decision making:</p> <ul style="list-style-type: none"><li>• consumers aim to maximise utility</li><li>• firms aim to maximise profits</li></ul> <p><b>1.2.10 Alternative views of consumer behaviour</b></p> <p>a) The reasons why consumers may not behave rationally:</p> <ul style="list-style-type: none"><li>• consideration of the influence of other people's behaviour</li><li>• the importance of habitual behaviour consumer weakness at computation</li></ul>
6		<p><b>1.2.8 Consumer and producer surplus</b></p> <p>a) The distinction between consumer and producer surplus</p> <p>b) The use of supply and demand diagrams to illustrate consumer and producer surplus</p> <p>c) How changes in supply and demand might affect consumer and producer surplus</p> <p><b>1.2.7 Price mechanism – In context</b></p> <p>a) Functions of the price mechanism to allocate resources:</p> <ul style="list-style-type: none"><li>• rationing</li><li>• incentive</li><li>• signalling</li></ul>

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		<p>b) The price mechanism in the context of different types of markets, including local, national and global markets</p> <p><b>1.2.3 Price, income and cross elasticities of demand</b></p> <p>a) Understanding of price, income and cross elasticities of demand</p> <p>b) Use formulae to calculate price, income and cross elasticities of demand.</p> <p>c) Interpret numerical values of</p> <ul style="list-style-type: none"> <li>• price elasticity of demand: unitary elastic, perfectly and relatively elastic, and perfectly and relatively inelastic</li> <li>• income elasticity of demand: inferior, normal and luxury goods; relatively elastic and relatively inelastic</li> <li>• cross elasticity of demand: substitutes, complementary and unrelated goods</li> </ul> <p>d) The factors influencing elasticities of demand</p> <p>e) The significance of elasticities of demand to firms and government in terms of:</p> <ul style="list-style-type: none"> <li>• changes in real income</li> <li>• changes in the prices of substitute and complementary goods</li> </ul> <p>(Note: the significance of elasticities of demand to firms and the government, in terms of the imposition of indirect taxes and subsidies, could be taught following 1.2.9)</p> <p>f) The relationship between price elasticity of demand and total revenue (including calculation)</p>
7		<p><b>1.2.3 Price, income and cross elasticities of demand</b></p> <p>a) Understanding of price, income and cross elasticities of demand</p> <p>b) Use formulae to calculate price, income and cross elasticities of demand.</p> <p>c) Interpret numerical values of</p> <ul style="list-style-type: none"> <li>• price elasticity of demand: unitary elastic, perfectly and relatively elastic, and perfectly and relatively inelastic</li> <li>• income elasticity of demand: inferior, normal and luxury goods; relatively elastic and relatively inelastic</li> <li>• cross elasticity of demand: substitutes, complementary and unrelated goods</li> </ul> <p>d) The factors influencing elasticities of demand</p>

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		<p>e) The significance of elasticities of demand to firms and government in terms of:</p> <ul style="list-style-type: none"> <li>• changes in real income</li> <li>• changes in the prices of substitute and complementary goods</li> </ul> <p>(Note: the significance of elasticities of demand to firms and the government, in terms of the imposition of indirect taxes and subsidies, could be taught following 1.2.9)</p> <p>f) The relationship between price elasticity of demand and total revenue (including calculation)</p> <p><b>1.2.5 Elasticity of supply</b></p> <p>a) Understanding of price elasticity of supply</p> <p>b) Use formula to calculate price elasticity of supply</p> <p>c) Interpret numerical values of price elasticity of supply: perfectly and relatively elastic, and perfectly and relatively inelastic</p> <p>d) Factors that influence price elasticity of supply</p> <p>e) The distinction between short run and long run in economics and its significance for elasticity of supply</p>
8		<p><b>1.2.9 Indirect taxes and subsidies</b></p> <p>a) Supply and demand analysis, elasticities, and:</p> <ul style="list-style-type: none"> <li>• the impact of indirect taxes on consumers, producers and government</li> <li>• the incidence of indirect taxes on consumers and producers</li> <li>• the impact of subsidies on consumers, producers and government</li> <li>• the area that represents the producer subsidy and consumer subsidy</li> </ul> <p><b>1.2.3 Price, income and cross elasticities of demand</b></p> <p>e) The significance of elasticities of demand to firms and government in terms of:</p> <ul style="list-style-type: none"> <li>• the imposition of indirect taxes and subsidies</li> </ul> <p><b>1.1.6 Free market economies, mixed economy and command economy</b></p> <p>Revisit 1.2.7 here as functions of price mechanism leads nicely into advantages of free market economies.</p> <p>a) The distinction between free market, mixed and command economies: reference to Adam Smith, Friedrich Hayek and Karl Marx</p>

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		<p>b) The advantages and disadvantages of a free market economy and a command economy</p> <p>c) The role of the state in a mixed economy</p> <p>Note: The discussions in general on advantages and disadvantages of free market will help to lead fluently onto the topic of market failure</p>
9	<b>1.3 Market failure</b>	<p><b>1.3.3 Public goods</b></p> <p>a) Distinction between public and private goods using the concepts of non-rivalry and non-excludability</p> <p>b) Why public goods may not be provided by the private sector: the free rider problem</p> <p><b>1.3.4 Information gaps</b></p> <p>a) The distinction between symmetric and asymmetric information</p> <p>b) How imperfect market information may lead to a misallocation of resources</p> <p><b>1.3.1 Types of market failure</b></p> <p>a) Understanding of market failure</p> <p>b) Types of market failure (quick introduction):</p> <ul style="list-style-type: none"><li>• externalities</li><li>• under-provision of public goods</li><li>• information gaps</li></ul>
10		<p><b>1.3.2 Externalities</b></p> <p>a) Distinction between private costs, external costs and social costs</p> <p>b) Distinction between private benefits, external benefits and social benefits</p> <p>c) Use of a diagram to illustrate:</p> <ul style="list-style-type: none"><li>• the external costs of production using marginal analysis</li><li>• the distinction between market equilibrium and social optimum position</li><li>• identification of welfare loss area</li></ul> <p>d) Use of a diagram to illustrate:</p>

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		<ul style="list-style-type: none"> <li>the external benefits of consumption using marginal analysis</li> <li>the distinction between market equilibrium and social optimum position</li> <li>identification of welfare gain area</li> </ul> <p>e) The impact on economic agents of externalities and government intervention in various markets.</p>
11	<b>1.4 Government intervention</b>	<p><b>1.4.1 Government intervention in markets</b></p> <p>a) Purpose of intervention with reference to market failure and using diagrams in various contexts:</p> <ul style="list-style-type: none"> <li>indirect taxation (ad valorem and specific)</li> <li>subsidies</li> <li>maximum and minimum prices</li> </ul>
12		<p><b>1.4.1 Government intervention in markets</b></p> <p>b) Other methods of government intervention:</p> <ul style="list-style-type: none"> <li>trade pollution permits</li> <li>state provision of public goods</li> <li>provision of information</li> <li>regulation</li> </ul> <p>If there is additional time here, consolidate recent work</p>
13		<p><b>1.4.2 Government failure</b></p> <p>a) Understanding of government failure as intervention that results in a net welfare loss</p> <p>b) Causes of government failure:</p> <ul style="list-style-type: none"> <li>distortion of price signals</li> <li>unintended consequences</li> <li>excessive administrative costs</li> <li>information gaps</li> </ul> <p>c) Government failure in various markets</p>

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14	<b>Revision</b>	Practice exam-style questions from Theme 1 content and/or use AS Paper 1 for practice Consolidate work from autumn term
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## Theme 2: Year 12 Spring/Summer Term

Week	Topic	Content
1	<p><b>2.4 National income</b></p> <p><b>2.1 Measures of economic performance</b></p>	<p><b>2.4.1 National income</b></p> <p>a) The circular flow of income</p> <p>b) The distinction between income and wealth</p> <p><b>2.4.2 Injections and withdrawals</b></p> <p>a) The impact of injections into, and withdrawals from, the circular flow of income</p> <p><b>2.1.1 Economic growth</b></p> <p>a) Rates of change of real Gross Domestic Product (GDP) as a measure of economic growth</p> <p>b) Distinction between:</p> <ul style="list-style-type: none"> <li>• real and nominal</li> <li>• total and per capita</li> <li>• value and volume</li> </ul> <p>c) Other national income measures:</p> <ul style="list-style-type: none"> <li>• Gross National Product (GNP)</li> <li>• Gross National Income (GNI)</li> </ul> <p>d) Comparison of rates of growth between countries and over time</p>
2	<b>2.1 Measures of economic performance</b>	<p><b>2.1.1 Economic growth</b></p> <p>f) The limitations of using GDP to compare living standards between countries and over time</p> <p>g) National happiness:</p> <ul style="list-style-type: none"> <li>• UK national wellbeing</li> <li>• the relationship between real incomes and subjective happiness</li> </ul>

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	<p><b>2.2 Aggregate demand (AD)</b></p>	<p>The objective is to introduce the measures of performance indicators. This means parts of future lessons can be spent building up a simple understanding of macroeconomics by discussing items in the news – suggest 10 minutes at the end of some lessons. The rest of topic 2.1 has been integrated later on in the term once tools of analysis have been covered.</p> <p><b>2.2.1 The characteristics of AD</b></p> <p>a) Components of AD: <math>C+I+G+(X-M)</math></p> <p>b) The relative importance of the components of AD</p> <p>c) The AD curve</p> <p>d) The distinction between a movement along, and a shift of, the AD curve</p>
3	<p><b>2.2 Aggregate demand (AD)</b></p>	<p><b>2.2.2 Consumption (C)</b></p> <p>a) Disposable income and its influence on consumer spending</p> <p>b) An understanding of the relationship between savings and consumption</p> <p>c) Other influences on consumer spending:</p> <ul style="list-style-type: none"> <li>• interest rates</li> <li>• consumer confidence</li> <li>• wealth effects</li> </ul> <p><b>2.2.3 Investment (I)</b></p> <p>a) Distinction between gross and net investment</p> <p>b) Influences on investment:</p> <ul style="list-style-type: none"> <li>• the rate of economic growth</li> <li>• business expectations and confidence</li> <li>• Keynes and ‘animal spirits’</li> <li>• demand for exports</li> <li>• interest rates</li> <li>• access to credit</li> <li>• the influence of government and regulations</li> </ul>

		<p><b>2.1.2 Inflation</b></p> <p>a) Understanding of:</p> <ul style="list-style-type: none"><li>• inflation</li><li>• deflation</li><li>• disinflation</li></ul> <p>f) The effects of inflation on consumers, firms, the government and workers</p> <p><b>2.1.3 Employment and unemployment</b></p> <p>a) Measures of unemployment:</p> <ul style="list-style-type: none"><li>• the claimant count</li><li>• the International Labour Organisation (ILO) and the UK Labour Force Survey</li></ul> <p>b) The distinction between unemployment and under-employment</p> <p>c) The significance of changes in the rates of:</p> <ul style="list-style-type: none"><li>• employment</li><li>• unemployment</li><li>• inactivity</li></ul> <p>f) The effects of unemployment on consumers, firms, workers, the government and society</p> <p><b>2.1.4 Balance of payments</b></p> <p>a) Components of the balance of payments, with particular reference to the current account, and the balance of trade in goods and services</p>
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		<p>b) Current account deficits and surpluses</p> <p>Introduce the key macro objectives which follow from these performance indicators.</p>
4	<b>2.2 Aggregate demand (AD)</b>	<p><b>2.2.4 Government expenditure (G)</b></p> <p>a) The main influences on government expenditure:</p> <ul style="list-style-type: none"><li>• the trade cycle</li><li>• fiscal policy</li></ul> <p>Consider main components of government spending</p> <p><b>2.2.5 Net trade (X-M)</b></p> <p>a) The main influences on the (net) trade balance:</p> <ul style="list-style-type: none"><li>• real income</li><li>• exchange rates</li><li>• state of the world economy</li><li>• degree of protectionism</li><li>• non-price factors</li></ul>

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5	<b>2.3 Aggregate supply (AS)</b>	<b>2.3.1 The characteristics of AS</b> a) The AS curve b) The distinction between movement along, and a shift of, the AS curve c) The relationship between short-run AS and long-run AS <b>2.3.2 Short-run AS</b> a) Factors influencing short-run AS: <ul style="list-style-type: none"><li>• changes in costs of raw materials and energy</li><li>• changes in exchange rates</li><li>• changes in tax rates</li></ul> <b>2.3.3 Long-run AS</b> a) Different shapes of the long-run AS curve: <ul style="list-style-type: none"><li>• Keynesian</li><li>• Classical</li></ul> b) Factors influencing long-run AS: <ul style="list-style-type: none"><li>• technological advances</li><li>• changes in relative productivity</li><li>• changes in education and skills</li><li>• changes in government regulations</li><li>• demographic changes and migration</li><li>• competition policy</li></ul>
6		<b>2.5.2 Output gaps</b> a) Distinction between actual growth rates and long-term trends in growth rates b) Understanding of positive and negative output gaps and the difficulties of measurement

		<p>c) Use of an AD/AS diagram to illustrate an output gap (level of spare capacity) in an economy</p> <p><b>2.4.3 Equilibrium level of real national output</b></p> <p>a) The concept of equilibrium real national output</p> <p>b) The use of AD/AS diagrams to show how shifts in AD or AS cause changes in the equilibrium price level and real national output</p> <p><b>2.4.4 The multiplier</b></p> <p>a) The multiplier ratio</p> <p>b) The multiplier process</p> <p>c) Effects of the economy on the multiplier</p> <p>d) Understanding of marginal propensities and their effects on the multiplier:</p> <ul style="list-style-type: none"> <li>• the marginal propensity to consume (MPC)</li> <li>• the marginal propensity to save (MPS)</li> <li>• the marginal propensity to tax (MPT)</li> <li>• the marginal propensity to import (MPM)</li> </ul> <p>e) Calculations of the multiplier using the formulae <math>1/(1-MPC)</math> and <math>1/MPW</math>, where <math>MPW=MPS+MPT+MPM</math></p> <p>f) The significance of the multiplier to shifts in AD</p>
7	<p><b>2.5 Economic growth</b></p> <p><b>2.1 Measures of economic performance</b></p>	<p><b>2.5.1 Causes of growth</b></p> <p>a) Factors which could cause economic growth</p> <p>b) The distinction between actual and potential growth</p> <p>c) The importance of international trade for (export-led) economic growth</p> <p><b>2.1.1 Economic growth</b></p> <p>Recap spec point d) from week 2</p> <p>e) Understanding of Purchasing Power Parities (PPPs) and the use of PPP-adjusted figures in international comparisons</p>

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	<p><b>2.5 Economic growth</b></p>	<p><b>2.5.4 The impact of economic growth</b></p> <p>a) The benefits and costs of economic growth and the impact on:</p> <ul style="list-style-type: none"> <li>• consumers</li> <li>• firms</li> <li>• the government current and future living standards</li> </ul> <p><b>2.5.3 Trade (business) cycle</b></p> <p>a) Understanding of the trade (business) cycle</p> <p>b) Characteristics of a boom</p> <p>c) Characteristics of a recession</p>
8	<p><b>2.6 Macroeconomic objectives and policies</b></p>	<p><b>2.6.1 Possible macroeconomic objectives</b></p> <p>a) Economic growth</p> <p>b) Low unemployment</p> <p>c) Low and stable rate of inflation</p> <p>d) Balance of payments equilibrium on current account</p> <p>e) Balanced government budget</p> <p>f) Protection of the environment</p> <p>g) Greater income equality</p> <p><b>2.1.4 Balance of payments</b></p> <p>Recap specification points a) and b) from week 3</p> <p>c) The relationship between current account imbalances and other macroeconomic objectives</p> <p>d) The interconnectedness of economies through international trade</p> <p><b>2.1.2 Inflation</b></p> <p>b) The process of calculating the rate of inflation in the UK using the Consumer Prices Index (CPI)</p>

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		<p>c) The limitations of CPI in measuring the rate of inflation</p> <p>d) The Retail Prices Index (RPI) as an alternative measure of the rate of inflation</p> <p>e) Causes of inflation:</p> <ul style="list-style-type: none"><li>• demand pull</li><li>• cost push growth of the money supply</li></ul>
9	<p><b>2.5 Economic growth</b></p> <p><b>2.6 Macroeconomic objectives and policies</b></p>	<p><b>2.1.3 Employment and unemployment</b></p> <p>d) The causes of unemployment:</p> <ul style="list-style-type: none"><li>• structural unemployment</li><li>• frictional unemployment</li><li>• seasonal unemployment</li><li>• demand deficiency and cyclical unemployment</li><li>• real wage inflexibility</li></ul> <p>e) The significance of migration and skills for employment and unemployment</p> <p><b>2.6.2 Demand-side policies</b></p> <p>Link policies to how macroeconomic objectives can be achieved</p> <p>a) Distinction between monetary and fiscal policy</p> <p>b) Monetary policy instruments:</p> <ul style="list-style-type: none"><li>• interest rates asset purchases to increase the money supply (quantitative easing)</li></ul> <p>Link policies to how macroeconomic objectives can be achieved</p> <p>c) Fiscal policy instruments:</p> <ul style="list-style-type: none"><li>• government spending and taxation</li></ul> <p>d) Distinction between government budget (fiscal) deficit and surplus</p> <p>e) Distinction between, and examples of, direct and indirect taxation</p> <p>f) Use of AD/AS diagrams to illustrate demand-side policies</p> <p>g) The role of the Bank of England:</p> <ul style="list-style-type: none"><li>• the role and operation of the Bank of England's Monetary Policy Committee</li></ul>



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		<p>h) Awareness of demand-side policies in the Great Depression and the Global Financial Crisis of 2008</p> <ul style="list-style-type: none"> <li>• different interpretations</li> <li>• policy responses in the US and UK</li> <li>• i) Strengths and weaknesses of demand-side policies</li> </ul>
10	<b>2.6 Macroeconomic objectives and policies</b>	<p><b>2.6.2 Demand-side policies</b></p> <p>Link policies to how macroeconomic objectives can be achieved</p> <p>a) Distinction between monetary and fiscal policy</p> <p>b) Monetary policy instruments:</p> <ul style="list-style-type: none"> <li>• interest rates asset purchases to increase the money supply (quantitative easing)</li> </ul> <p>Link policies to how macroeconomic objectives can be achieved</p> <p>c) Fiscal policy instruments:</p> <ul style="list-style-type: none"> <li>• government spending and taxation</li> </ul> <p>d) Distinction between government budget (fiscal) deficit and surplus</p> <p>e) Distinction between, and examples of, direct and indirect taxation</p> <p>f) Use of AD/AS diagrams to illustrate demand-side policies</p> <p>g) The role of the Bank of England:</p> <ul style="list-style-type: none"> <li>• the role and operation of the Bank of England's Monetary Policy Committee</li> </ul> <p>h) Awareness of demand-side policies in the Great Depression and the Global Financial Crisis of 2008</p> <ul style="list-style-type: none"> <li>• different interpretations</li> <li>• policy responses in the US and UK</li> <li>• i) Strengths and weaknesses of demand-side policies</li> </ul>

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11		<b>2.6.3 Supply-side policies</b> Link policies to how macro objectives can be achieved a) Distinction between market-based and interventionist methods b) Market-based and interventionist policies: <ul style="list-style-type: none"><li>• to increase incentives</li><li>• to promote competition</li><li>• to reform the labour market</li><li>• to improve skills and quality of the labour force</li><li>• to improve infrastructure</li></ul>
12		<b>2.6.3 Supply-side policies</b> c) Use of AD/AS diagrams to illustrate supply-side policies d) Strengths and weaknesses of supply-side policies <b>2.6.4 Conflicts and trade-offs between objectives and policies</b> a) Potential conflicts and trade-offs between the macroeconomic objectives b) Short-run Phillips curve c) Potential policy conflicts and trade-offs
13	Revision and AS level exam preparation	Revision and exam practice for AS level examinations and/or mock examinations for Theme 1 and Theme 2.
14	Revision and AS level exam preparation	Revision and exam practice for AS level examinations and/or mock examinations for Theme 1 and Theme 2.

## Theme 3: Year 13 Autumn Term

Week	Topic	Content
1	<b>3.1 Business growth</b>	<p><b>3.1.1 Sizes and types of firms</b></p> <p>a) Reasons why some firms tend to remain small and why others grow</p> <p>b) Significance of the divorce of ownership from control: the principal-agent problem</p> <p>c) Distinction between public and private sector organisations</p> <p>d) Distinction between profit and not-for-profit organisations</p> <p><b>3.1.2 Business growth</b></p> <p>a) How businesses grow:</p> <ul style="list-style-type: none"> <li>• organic growth</li> <li>• forward and backward vertical integration</li> <li>• horizontal integration</li> <li>• conglomerate integration</li> </ul> <p>b) Advantages and disadvantages of:</p> <ul style="list-style-type: none"> <li>• organic growth</li> <li>• vertical integration</li> <li>• horizontal integration</li> <li>• conglomerate integration</li> </ul> <p>c) Constraints on business growth:</p> <ul style="list-style-type: none"> <li>• size of the market</li> <li>• access to finance</li> <li>• owner objectives</li> <li>• regulation</li> </ul> <p><b>3.1.3 Demergers</b></p> <p>a) Reasons for demergers</p> <p>b) Impact of demergers on businesses, workers and consumers</p>

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2	<b>3.3 Revenues, costs and profits</b>	<b>3.3.1 Revenue</b> a) Formulae to calculate and understand the relationship between: <ul style="list-style-type: none"><li>• total revenue</li><li>• average revenue</li><li>• marginal revenue</li></ul> b) Price elasticity of demand and its relationship to revenue concepts (calculation required) <b>3.3.2 Costs</b> a) Formulae to calculate and understand the relationship between: <ul style="list-style-type: none"><li>• total cost</li><li>• total fixed cost</li><li>• total variable cost</li><li>• average (total) cost</li><li>• average fixed cost</li><li>• average variable cost</li><li>• marginal cost</li></ul> b) Derivation of short-run cost curves from the assumption of diminishing marginal productivity c) Relationship between short-run and long-run average cost curves
3		<b>3.3.3 Economies and diseconomies of scale</b> a) Types of economies and diseconomies of scale b) Minimum efficient scale c) Distinction between internal and external economies of scale <b>3.3.4 Normal profits, supernormal profits and losses</b> a) Condition for profit maximisation b) Normal profit, supernormal profit and losses c) Short-run and long-run shut-down points: diagrammatic analysis

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4	<p><b>3.4 Market structures</b></p>	<p><b>3.2.1 Business objectives</b></p> <p>a) Different business objectives and reasons for them:</p> <ul style="list-style-type: none"> <li>• profit maximisation</li> <li>• revenue maximisation</li> <li>• sales maximisation</li> <li>• satisficing</li> </ul> <p>b) Diagrams and formulae to illustrate the different business objectives:</p> <ul style="list-style-type: none"> <li>• profit maximisation</li> <li>• revenue maximisation</li> <li>• sales maximisation</li> </ul> <p><b>3.4.1 Efficiency</b></p> <p>a) Allocative efficiency</p> <p>b) Productive efficiency</p> <p>c) Dynamic efficiency</p> <p>d) X-inefficiency</p> <p>e) Efficiency/inefficiency in different market structures</p>
5		<p><b>3.4.2 Perfect competition</b></p> <p>a) Characteristics of perfect competition</p> <p>b) Profit maximising equilibrium in the short run and long run</p> <p>c) Diagrammatic analysis</p> <p><b>3.4.3 Monopolistic competition</b></p> <p>a) Characteristics of monopolistically competitive markets</p> <p>b) Profit maximising equilibrium in the short run and long run</p> <p>c) Diagrammatic analysis</p>
6		<p><b>3.4.4 Oligopoly</b></p> <p>a) Characteristics of oligopoly</p> <ul style="list-style-type: none"> <li>• high barriers to entry and exit</li> </ul>

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		<ul style="list-style-type: none"> <li>• high concentration ratio</li> <li>• interdependence of firms</li> <li>• product differentiation</li> </ul> <p>b) Calculation of n-firm concentration ratios and their significance</p> <p>c) Reasons for collusive and non-collusive behaviour</p> <p>d) Overt and tacit collusion; cartels and price leadership</p> <p>e) Simple game theory: the prisoner's dilemma in a simple two firm/two outcome model</p> <p>f) Types of price competition:</p> <ul style="list-style-type: none"> <li>• price wars</li> <li>• predatory pricing</li> <li>• limit pricing</li> </ul> <p>g) Types of non-price competition</p>
7		<p><b>3.4.5 Monopoly</b></p> <p>a) Characteristics of monopoly</p> <p>b) Profit maximising equilibrium</p> <p>c) Diagrammatic analysis</p> <p>d) Third degree price discrimination:</p> <ul style="list-style-type: none"> <li>• necessary conditions</li> <li>• diagrammatic analysis</li> <li>• costs and benefits to consumers and producers</li> </ul> <p>e) Costs and benefits of monopoly to firms, consumers, employees and suppliers</p> <p>f) Natural monopoly</p>
8		<p><b>3.4.7 Contestability</b></p> <p>a) Characteristics of contestable markets</p> <p>b) Implications of contestable markets for the behaviour of firms</p> <p>c) Types of barrier to entry and exit</p>

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		<p>d) Sunk costs and the degree of contestability</p> <p><b>3.4.6 Monopsony</b></p> <p>a) Characteristics and conditions for a monopsony to operate</p> <p>b) Costs and benefits of a monopsony to firms, consumers, employees and suppliers</p>
9	<b>3.6 Government intervention</b>	<p>Consolidate theory of the firm</p> <p><b>3.6.1 Government intervention</b></p> <p>a) Government intervention to control mergers</p> <p>b) Government intervention to control monopolies:</p> <ul style="list-style-type: none"> <li>• price regulation</li> <li>• profit regulation</li> <li>• quality standards</li> <li>• performance targets</li> </ul>
10		<p><b>3.6.1 Government intervention</b></p> <p>c) Government intervention to promote competition and contestability:</p> <ul style="list-style-type: none"> <li>• enhancing competition between firms through promotion of small business</li> <li>• deregulation</li> <li>• competitive tendering for government contracts</li> <li>• privatisation</li> </ul> <p>d) Government intervention to protect suppliers and employees:</p> <ul style="list-style-type: none"> <li>• restrictions on monopsony power of firms</li> <li>• nationalisation</li> </ul> <p><b>3.6.2 The impact of government intervention</b></p> <p>a) The impact of government intervention on:</p> <ul style="list-style-type: none"> <li>• prices</li> <li>• profit</li> <li>• efficiency</li> <li>• quality</li> </ul>

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		<ul style="list-style-type: none"> <li>choice</li> </ul>
11	<b>3.5 Labour market</b>	<p><b>3.6.2 The impact of government intervention</b></p> <p>b) Limits to government intervention:</p> <ul style="list-style-type: none"> <li>regulatory capture</li> <li>asymmetric information</li> </ul> <p><b>3.5.1 Demand for labour</b></p> <p>a) Factors that influence the demand for labour</p> <p>b) Demand for labour as a derived demand</p> <p><b>3.5.2 Supply of labour</b></p> <p>a) Factors that influence the supply of labour to a particular occupation</p> <p>b) Market failure in labour markets: the geographical and occupational mobility and immobility of labour</p>
12		<p><b>3.5.3 Wage determination in competitive and non-competitive markets</b></p> <p>a) Diagrammatic analysis of labour market equilibrium</p> <p>b) Understanding of current labour market issues</p> <p>c) Government intervention in the labour market:</p> <ul style="list-style-type: none"> <li>maximum and minimum wages</li> <li>public sector wage setting</li> <li>policies to tackle labour market immobility</li> </ul> <p>d) The significance of the elasticity of demand for labour and the elasticity of supply of labour</p>
13	<b>Theme 4: A global perspective</b> <b>4.1 International economics</b>	<p>Start Theme 4 in this week</p> <p><b>4.1.1 Globalisation</b></p> <p>a) Characteristics of globalisation</p> <p>b) Factors contributing to globalisation in the last 50 years</p> <p>c) Impacts of globalisation and global companies on individual countries, governments, producers and consumers, workers and the environment</p> <p><b>4.1.2 Specialisation and trade</b></p>



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		a) Absolute and comparative advantage (numerical and diagrammatic): assumptions and limitations relating to the theory of comparative advantage
14		<b>4.1.2 Specialisation and trade</b> b) Advantages and disadvantages of specialisation and trade in an international context <b>4.1.3 Pattern of trade</b> a) Factors influencing the pattern of trade between countries and changes in trade flows between countries: <ul style="list-style-type: none"><li>• comparative advantage</li><li>• impact of emerging economies</li><li>• growth of trading blocs and bilateral trading agreements</li><li>• changes in relative exchange rates</li></ul>

## Theme 4: Year 13 Spring/Summer term

Week	Topic	Content
1	<b>4.1 International economics</b>	<p>Continuation of Theme 4 from week 13 in the previous term</p> <p><b>4.1.4 Terms of trade</b></p> <p>a) Calculation of terms of trade                      b) Factors influencing a country's terms of trade                      c) Impact of changes in a country's terms of trade</p> <p><b>4.1.5 Trading blocs and the World Trade Organisation (WTO)</b></p> <p>a) Types of trading blocs (regional trade agreements and</p> <ul style="list-style-type: none"> <li>• bilateral trade agreements);</li> <li>• free trade areas</li> <li>• customs unions</li> <li>• common markets</li> <li>• monetary unions: conditions necessary for their success with particular reference to the Eurozone</li> </ul> <p>b) Costs and benefits of regional trade agreements                      c) Role of the WTO in trade liberalisation                      d) Possible conflicts between regional trade agreements and the WTO</p> <p><b>4.1.6 Restrictions on free trade</b></p> <p>a) Reasons for restrictions on free trade</p>
2		<p><b>4.1.6 Restrictions on free trade</b></p> <p>b) Types of restrictions on trade:</p> <ul style="list-style-type: none"> <li>• tariffs</li> <li>• quotas</li> <li>• subsidies to domestic producers</li> <li>• non-tariff barriers</li> </ul>

	<p>c) Impact of protectionist policies on consumers, producers, governments, living standards, equality</p> <p><b>4.1.7 Balance of payments</b> (Introduction)</p> <p>a) The components of the balance of payments:</p> <ul style="list-style-type: none"> <li>• the current account</li> <li>• the capital and financial accounts</li> </ul> <p><b>4.1.8 Exchange rates</b></p> <p>a) Exchange rate systems:</p> <ul style="list-style-type: none"> <li>• floating</li> <li>• fixed</li> <li>• managed</li> </ul> <p>b) Distinction between revaluation and appreciation of a currency</p> <p>c) Distinction between devaluation and depreciation of a currency</p>
3	<p><b>4.1.8 Exchange rates</b></p> <p>d) Factors influencing floating exchange rates</p> <p>e) Government intervention in currency markets through foreign currency transactions and the use of interest rates</p> <p>f) Competitive devaluation/depreciation and its consequences</p> <p>g) Impact of changes in exchange rates:</p> <ul style="list-style-type: none"> <li>• the current account of the balance of payments (reference to Marshall-Lerner condition and J curve effect)</li> <li>• economic growth and employment/unemployment</li> <li>• rate of inflation</li> <li>• foreign direct investment (FDI) flows</li> </ul> <p><b>4.1.7 Balance of payments</b> (Continued)</p> <p>b) Causes of deficits and surpluses on the current account</p>

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		<p>c) Measures to reduce a country's imbalance on the current account</p> <p>d) Significance of global trade imbalances</p>
4	<p><b>4.5 Role of the state in the macroeconomy</b> (Introduction)</p>	<p><b>4.1.9 International competitiveness</b></p> <p>a) Measures of international competitiveness:</p> <ul style="list-style-type: none"> <li>• relative unit labour costs</li> <li>• relative export prices</li> </ul> <p>b) Factors influencing international competitiveness</p> <p>c) Significance of international competitiveness:</p> <ul style="list-style-type: none"> <li>• benefits of being internationally competitive</li> <li>• problems of being internationally competitive</li> </ul> <p><b>4.5.4 Macroeconomic policies in a global context</b> (Introduction)</p> <p>a) Use of fiscal policy, monetary policy, exchange rate policy, supply-side policies and direct controls in different countries, with specific reference to the impact of:</p> <ul style="list-style-type: none"> <li>• measures to increase international competitiveness</li> </ul>
5	<p><b>4.2 Poverty and inequality</b></p>	<p><b>4.2.1 Absolute and relative poverty</b></p> <p>a) Distinction between absolute poverty and relative poverty</p> <p>b) Measures of absolute poverty and relative poverty</p> <p>c) Causes of changes in absolute poverty and relative poverty</p> <p><b>4.2.2 Inequality</b></p> <p>a) Distinction between wealth and income inequality</p> <p>b) Measurements of income inequality:</p> <ul style="list-style-type: none"> <li>• the Lorenz curve (diagrammatic analysis)</li> <li>• the Gini coefficient</li> </ul> <p>c) Causes of income and wealth inequality within countries and between countries</p> <p>d) Impact of economic change and development on inequality</p> <p>e) Significance of capitalism for inequality</p> <p><b>4.5.4 Macroeconomic policies in a global context</b></p>

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	<b>4.5 Role of the state in the macroeconomy</b>	<p>a) Use of fiscal policy, monetary policy, exchange rate policy, supply-side policies and direct controls in different countries, with specific reference to the impact of:</p> <ul style="list-style-type: none"> <li>• measures to reduce poverty and inequality</li> </ul>
6	<b>4.3 Emerging and developing economies</b>	<p><b>4.3.1 Measures of development</b></p> <p>a) The three dimensions of the Human Development Index (HDI) (education, health and living standards) and how they are measured and combined</p> <p>b) The advantages and limitations of using the HDI to compare levels of development between countries and over time</p> <p>c) Other indicators of development</p> <p><b>4.3.2 Factors influencing growth and development</b></p> <p>a) Impact of economic factors in different countries:</p> <ul style="list-style-type: none"> <li>• primary product dependency</li> <li>• volatility of commodity prices</li> <li>• savings gap: Harrod-Domar model</li> <li>• foreign currency gap</li> <li>• capital flight</li> <li>• demographic factors</li> <li>• debt</li> <li>• access to credit and banking</li> <li>• infrastructure</li> </ul>
7		<p><b>4.3.2 Factors influencing growth and development</b></p> <p>a) Impact of economic factors in different countries:</p> <ul style="list-style-type: none"> <li>• education/skills</li> <li>• absence of property rights</li> </ul> <p>b) Impact of non-economic factors in different countries</p> <p><b>4.3.3 Strategies influencing growth and development</b></p> <p>a) Market-orientated strategies:</p> <ul style="list-style-type: none"> <li>• trade liberalisation</li> </ul>

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		<ul style="list-style-type: none"> <li>• promotion of FDI</li> <li>• removal of government subsidies</li> <li>• floating exchange rate systems</li> <li>• microfinance schemes</li> <li>• privatisation</li> </ul> <p>b) Interventionist strategies:</p> <ul style="list-style-type: none"> <li>• development of human capital</li> <li>• protectionism</li> <li>• managed exchange rates</li> <li>• infrastructure development</li> <li>• promoting joint ventures with global companies</li> <li>• buffer stock schemes</li> </ul>
8	<p><b>4.5 Role of the state in the macroeconomy</b></p>	<p><b>4.3.3 Strategies influencing growth and development</b></p> <p>c) Other strategies:</p> <ul style="list-style-type: none"> <li>• industrialisation: the Lewis model</li> <li>• development of tourism</li> <li>• development of primary industries</li> <li>• Fairtrade schemes</li> <li>• aid</li> <li>• debt relief</li> </ul> <p>d) Awareness of the role of international institutions and non-government organisations (NGOs):</p> <ul style="list-style-type: none"> <li>• World Bank</li> <li>• International Monetary Fund (IMF)</li> <li>• NGOs</li> </ul> <p><b>4.5.1 Public expenditure</b></p> <p>a) Distinction between capital expenditure, current expenditure and transfer payments</p>

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		<p>b) Reasons for the changing size and composition of public expenditure in a global context</p> <p>c) The significance of differing levels of public expenditure as a proportion of GDP on:</p> <ul style="list-style-type: none"> <li>• productivity and growth</li> <li>• living standards</li> <li>• crowding out</li> <li>• level of taxation</li> <li>• equality</li> </ul>
9		<p><b>4.5.2 Taxation</b></p> <p>a) Distinction between progressive, proportional and regressive taxes</p> <p>b) The economic effects of changes in direct and indirect</p> <ul style="list-style-type: none"> <li>• tax rates on other variables:</li> <li>• incentives to work</li> <li>• tax revenues: the Laffer curve</li> <li>• income distribution</li> <li>• real output and employment</li> <li>• the price level</li> <li>• the trade balance</li> <li>• FDI flows</li> </ul> <p><b>4.5.3 Public sector finances</b></p> <p>a) Distinction between automatic stabilisers and discretionary fiscal policy</p> <p>b) Distinction between a fiscal deficit and the national debt</p> <p>c) Distinction between structural and cyclical deficits</p> <p>d) Factors influencing the size of fiscal deficits</p> <p>e) Factors influencing the size of national debts</p> <p>f) The significance of the size of fiscal deficits and national debts</p>
10		<p><b>4.5.4 Macroeconomic policies in a global context</b></p>

	<p><b>4.4 The financial sector</b></p>	<p>a) Use of fiscal policy, monetary policy, exchange rate policy, supply-side policies and direct controls in different countries, with specific reference to the impact of:</p> <ul style="list-style-type: none"> <li>• measures to reduce fiscal deficits and national debts</li> </ul> <p><b>4.4.1 Role of financial markets</b></p> <p>a) To facilitate saving</p> <p>b) To lend to businesses and individuals</p> <p>c) To facilitate the exchange of goods and services</p> <p>d) To provide forward markets in currencies and commodities</p> <p>e) To provide a market for equities</p> <p><b>4.4.2 Market failure in the financial sector</b></p> <p>a) Consideration of:</p> <ul style="list-style-type: none"> <li>• asymmetric information</li> <li>• externalities</li> <li>• moral hazard</li> <li>• speculation and market bubbles</li> <li>• market rigging</li> </ul>
<p>11</p>		<p><b>4.4.3 Role of central banks</b></p> <p>a) Key functions of central banks:</p> <ul style="list-style-type: none"> <li>• implementation of monetary policy</li> <li>• banker to the government</li> <li>• banker to the banks – lender of last resort</li> <li>• role in regulation of the banking industry</li> </ul> <p><b>4.5.4 Macroeconomic policies in a global context</b></p> <p>a) Use of fiscal policy, monetary policy, exchange rate policy, supply-side policies and direct controls in different countries, with specific reference to the impact of:</p> <ul style="list-style-type: none"> <li>• changes in interest rates and the supply of money</li> </ul>
<p>12</p>		<p><b>4.5.4 Macroeconomic policies in a global context</b></p>



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		<p>b) Use and impact of macroeconomic policies to respond to external shocks to the global economy</p> <p>c) Measures to control global companies' (transnationals') operations:</p> <ul style="list-style-type: none"><li>• the regulation of transfer pricing</li><li>• limits to government ability to control global companies</li></ul> <p>d) Problems facing policymakers when applying policies:</p> <ul style="list-style-type: none"><li>• inaccurate information</li><li>• risks and uncertainties</li><li>• inability to control external shocks</li></ul>
13	Revision and A level exam preparation	Revision of Themes 1, 2, 3 and 4 Exam preparation
14		Revision of Themes 1, 2, 3 and 4 Exam preparation