

AS AND A LEVEL

Delivery Guide

H040/H460

ECONOMICS

Theme: Macroeconomics: The
global context

March 2015



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Introduction

Delivery guides are designed to represent a body of knowledge about teaching a particular topic and contain:

- Content: A clear outline of the content covered by the delivery guide;
- Thinking Conceptually: Expert guidance on the key concepts involved, common difficulties students may have, approaches to teaching that can help students understand these concepts and how this topic links conceptually to other areas of the subject;
- Thinking Contextually: A range of suggested teaching activities using a variety of themes so that different activities can be selected which best suit particular classes, learning styles or teaching approaches.

If you have any feedback on this Delivery Guide or suggestions for other resources you would like OCR to develop, please email resourcesfeedback@ocr.org.uk.

KEY



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AS Level content only



Curriculum Content Globalisation

Macroeconomics: The global context > Globalisation:

- explain what is meant by globalisation
- explain the characteristics of globalisation
- explain the causes of globalisation
- evaluate the impact of globalisation on developed, emerging and developing economies
- evaluate the impact of multinational firms on the world economy
- evaluate the impact of the performance of emerging economies on other economies

NB. This section is relevant to the A Level only.



Thinking Conceptually Globalisation

Globalisation is the process enabling financial and investment markets to operate internationally, largely as a result of deregulation and improved communications' (Collins). Increased trade and cultural exchange make the world increasingly interconnected. Globalisation has been taking place for hundreds of years, but has speeded up enormously over the last half-century.

Although globalisation is probably helping to create more wealth in developing countries - it is not helping to close the gap between the world's poorest countries and the world's richest.

Approaches to teaching the content

Globalisation can be taught interactively or through the study of text and articles, it is a topic that suits all learning styles.

The topic links to Geography A level (and possibly GCSE) and some elements of Sociology as well as History and Business Studies. A great chance to facilitate students' understanding of cross-curricular study. Try to ascertain what they already know (or will know) from their other A Levels and make connections with other subjects wherever relevant. This will (hopefully) increase (a) their interest and (b) understanding.

The other great opportunity is to link globalisation to students' own experience. They are all affected by globalisation through their spending patterns in the UK as well as potentially their holidays (or home life if they're international students). By putting the topic in their context it will enable a deeper understanding and engagement.

Common misconceptions or difficulties students may have

There can be confusion over the difference between developing and emerging economies. Watch out for the reference to LEDCs and MEDCs which can be too simplistic a classification of the stages of development countries progress through.

Conceptual links to other areas of the specification – useful ways to approach this topic to set students up for topics later in the course

There are links with international trade (in the global context section of the syllabus). In addition this links with economic and human development, inequality and macroeconomic performance.



Thinking Contextually Globalisation

ACTIVITIES

The key to a broader understanding of globalisation is to study it from both a developing and developed economy perspective. This facilitates comparisons between the two and can aid understanding of the extent to which the economic agents experience the benefits and drawbacks of globalisation.

The Harrod and Domar model can be an interesting way of comparing a country that is closed to one that is open.

Another interesting link (and this may overlap with some History studies) is to look at the experience of China from its opening up to trade in the late 1800s, to its closure to the outside world through the regime of Chairman Mao and then the reopening of the country in more recently.

Activities	Resources
<p>Last man standing: globalisation. A quick-fire activity to introduce students to globalisation</p> <p>1. All students in the class with a mini whiteboard. 2. They have 30 seconds -1 minute to write down an 'answer'. 3. Fire questions at them such as: a) Give an example of a global brand. b) Give an example of global sourcing by firms. c) Give a factor that has resulted in globalisation. d) Give a benefit of globalisation. e) Give a problem resulting from globalisation. 4. Students sit down as they get answers wrong. The winner is the last student standing. 5. Questions will need rewording depending on how easy/difficult the particular group find it and how much time is allocated. 6. A clip, article or notes could be shown before this stage. Duration: 10+ minutes depending on number of questions and material given beforehand.</p>	
<p>The characteristics of globalisation</p> <p>Using Google images, find pictures of McDonalds (or another international brand) and ask students to identify in which country each restaurant is in.</p> <p>Ask them whether they've been McDonalds on holiday and how it differed from the UK. Duration: 10 minutes</p>	
<p>Overview of globalisation</p> <p>watch the YouTube video of Paul Krugman's views on globalisation https://www.youtube.com/watch?v=sglRGsScMIA Duration: 5 minutes</p>	



Thinking Contextually Globalisation

Activities	Resources
<p>Global sourcing and the interconnectivity of economies</p> <p>Using a world map, give students pictures of products and ask them to stick them to the map according to where we source these products. This can also facilitate discussion on the impact of globalisation on developing, emerging and developed economies. Questions for students: what are the benefits to consumers of this country? What are the negative consequences for this economy of engaging in globalisation? Compare the positive and negative consequences of a developed economy to that of a developing and emerging, what differences (and similarities) are there, what causes these differences? Duration: 20 minutes</p>	
<p>Impact of multinational companies on the world economy</p> <p>The impact of multinational companies can be discussed from a number of angles: the impact on developing (and emerging economies), the impact on developed economies and the impact on the world economy. Ask students to research the following and prepare a summary for the rest of the class:</p> <p>Impact on developing (emerging) economies: http://www.palgrave-journals.com/jibs/journal/v35/n4/full/8400084a.html</p> <p>https://research.stlouisfed.org/publications/regional/10/07/multinational.pdf</p> <p>Impact on developed economies: Study Tata's purchase of Jaguar LandRover.</p> <p>Impact on the world economy: use the world bank to understand the changes in world trade. http://www.wto.org/english/res_e/publications_e/wtr14_e.htm Duration: 45 minutes</p>	
<p>Emergence of new economies and globalisation – Jim O’Niell MINT economies.</p> <p>If you can, find a space in which students can lie down or at least sit comfortably enough to listen to a radio programme. Once they’ve listened to at least 30 minutes of one of the four programmes concerning the MINT economies, ask them to discuss the impact that globalisation has had on that economy. http://www.bbc.co.uk/programmes/b03pn2h6 Duration: 45 minutes</p>	



Thinking Contextually Globalisation

Activities	Resources
<p>Impact of MNCs on emerging (and developing) economies</p> <p>The media often offers the negative side of FDI into emerging and developing economies. Offer the challenge to students to find positive stories on how multinational companies have benefited emerging (and developing) economies. For example:</p> <p>http://www.theguardian.com/global-development-professionals-network/2013/jul/30/mozambique-foreign-direct-investment-unctad Duration: 25 minutes</p>	
<p>Impact of emerging economies on other economies</p> <p>China – this is an opportunity to watch and discuss the BBC2 programme: The Chinese are Coming.</p> <p>https://www.youtube.com/watch?v=kSbZ1wxV87c</p> <p>There's also a nice BBC news clip on the impact of Chinese tourism on the UK.</p> <p>https://www.youtube.com/watch?v=KRETjWqtViv</p> <p>Duration: First clip is one hour long, second 5 minutes</p>	
<p>The impact of Chinese economic growth on commodity markets and other economies.</p> <p>Students read and summarize the article from the IMF and/or the Telegraph and Financial Times.</p> <p>Ask them to identify the extent to which Chinese economic growth is affecting global commodity prices.</p> <p>https://www.imf.org/external/pubs/ft/wp/2012/wp12115.pdf</p> <p>http://www.telegraph.co.uk/finance/commodities/10551953/Economic-shift-away-from-China-to-the-West-will-dictate-commodity-prices-in-2014.html</p> <p>http://www.ft.com/cms/s/0/7b38f250-440c-11e4-8abd-00144feabdc0.html#axzz3F9PPzO37</p> <p>Duration: 35 minutes</p>	



Thinking Contextually Globalisation

Activities	Resources
<p>Positive and negative consequences of globalisation.</p> <p>Debate the consequences of globalisation. Split the class in half, one is to argue the case for and the other the case against. They should research their arguments before the next lesson and then facilitate debate.</p> <p>This could be followed up with an essay discussing the benefits of globalisation for a developing (or emerging) and developed economies.</p> <p>Duration: 1 lesson and prior research</p>	
<p>Plenary or revision activity of this topic (but it facilitates revision of all aspects of this section: The Global Context).</p> <p>In groups give headlines that relate to globalisation (and/or other topics in the global context). Students stick them onto A3 paper and link as many economic terms/concepts/models and theories to these headlines as possible. Make into a competition, the winning team being the one that elicits the most economics from the headlines. Duration: 30 minutes</p>	



Curriculum Content International Trade

Macroeconomics: The global context > International trade:

- explain what is meant by international trade
- distinguish between absolute and comparative advantage
- calculate opportunity cost ratios to illustrate the gains from trade derived from absolute and comparative advantage
- explain what is meant by the terms of trade
- calculate the terms of trade
- explain what determines the terms of trade, including Heckscher-Ohlin theory
- explain how the pattern of global trade has changed over time
- evaluate comparative advantage as an explanation of global trade patterns
- explain how countries achieve international competitiveness, considering productivity, unit labour costs, exchange rates and product quality
- evaluate the advantages and disadvantages of international trade and aid to developed, emerging and developing economies

NB. This section is relevant to both the AS and A Level.



Thinking Conceptually International Trade

International trade is the exchange of goods and services between countries. International trade enables consumers to consume goods that cannot be easily produced domestically and gives businesses access to factor markets outside national boundaries. Countries all around the world engage in international trade. This type of trade gives rise to world markets, in which prices, or supply and demand, affect and are affected by global events.

Approaches to teaching the content

Practicing comparative advantage is key to their understanding. They can either use tables or PPFs. It would be advisable to expose students to both approaches so they're familiar with them if either is used in an exam.

The patterns of global trade can be represented graphically, through datablogs from the Guardian website.

There is a lot of literature around the topic of aid and the benefits of trade to widen students reading and engagement

in modern economic thought. For example, Damibisa Moyo, Jeffery Sachs and Joseph Stiglitz and Paul Collier.

Common misconceptions or difficulties students may have

The concept of terms of trade can be a stumbling block for some, but using the formula as a teaching device can help those that are more mathematical.

Calculating opportunity cost ratios can also be tricky if their unsure about the foundations of the PPF and related concepts.

Conceptual links to other areas of the specification – useful ways to approach this topic to set students up for topics later in the course

This topic links to a number of other topics including:

PPF, Economic Growth, Opportunity Cost, Economic Development, Exchange Rates,

Economies of Scale, Productivity and Exchange Rates.



Thinking Contextually International Trade

ACTIVITIES

International trade is best taught in context of a variety of countries, in particular at different stages of development.

Look at the causes and consequences of international competitiveness from both a micro and macroeconomic perspective.

Discussion can also be had on the consequences for individuals, firms and economies to appreciate in more detail the impact of international trade.

Activities	Resources
<p>Mapping advantage:</p> <ol style="list-style-type: none">1. Put up a simplified map of the world or hand out copies of a map of the world.2. Students then have 10 goods (images or words) to place on countries where they think they would be 'best' produced.3. Discuss why they have chosen specific countries. Link to the concept of absolute advantage. Duration: 20 minutes	
<p>Comparative advantage</p> <p>This can be covered using a combination of PPCs and a table – the Internet has many short clips showing how this works.</p> <p>Once you've taught the theory and gone through a numerical example, either with the PPF or in a tabular format. Ask students, in pairs, to write each other a numerical exercise. They must know the answers to their own exercise in order to assess whether their partner has completed it correctly! Duration: 30 minutes</p>	
<p>International trade Game</p> <p>This game can be played with groups with at least 10 students and demonstrates the concepts of international trade and developed, emerging and developing countries.</p> <p>http://www.economicsnetwork.ac.uk/showcase/sloman_game Duration: 45-50 minutes</p>	



Thinking Contextually International Trade

Activities	Resources
<p>Made in ?</p> <p>In order to demonstrate how the UK is engaged in international trade ask students to look at the origin of their clothes, shoes, accessories. Record how many counties and how frequently they occur.</p>	
<p>Discussion of how countries achieve international competitiveness</p> <p>Use the following websites to facilitate discussion on UK competitiveness</p> <p>World Economic Forum: http://www.weforum.org/</p> <p>http://www.theguardian.com/news/datablog/2014/oct/10/london-uk-inequality-productivity-premium</p> <p>http://global-indices.insead.edu/gtci/ Duration: 20 minutes</p>	
<p>Who is the most productive?</p> <p>To spark a discussion of the differing rates of productivity across the G7 give students a set of countries to rank according to which they think has the highest productivity rates to the least. Reveal the answers and discuss their preconceptions and what factors affect productivity rates and the implications for unit costs and competitiveness.</p> <p>Remind students that competitiveness can be based on price and non-price factors.</p> <p>Useful websites to facilitate discussion on the UK's productivity.</p> <p>http://www.bbc.co.uk/news/business-27857472</p> <p>http://www.bbc.co.uk/news/business-22874889</p> <p>http://www.bbc.co.uk/news/19657456</p> <p>http://www.bbc.co.uk/news/business-19981498 Duration: 20 minutes</p>	



Thinking Contextually International Trade

Activities	Resources
<p>Changing global patterns of trade</p> <p>Ask students to investigate various trading blocs in preparation for the next lesson. In the following lesson ask them to explain (a) which countries are in the trading bloc (b) what products they trade (c) how this will affect their trade with countries not in the bloc. If you have a smart board, project an image of the world and highlight each of the trading blocs as students present them.</p> <p>Follow up with a discussion around the benefits and negative consequences of trading blocs. Duration: 20 minutes</p>	
<p>Advantages and disadvantages of international trade and aid to developed, emerging and developing economies.</p> <p>Students write a series of questions (or choose from a pre-written list) that give them a line of enquiry about the consequences of international trade and aid. Questions could be: who benefits the most from international aid? What are some of the key policies to promote international trade? How could a government exploit the advantages of international trade? Should aid only be given in emergencies rather than as a continuous source of finance?</p> <p>Plenary: Could they find the answers to all their questions? Why? Did any of the answers surprise them? Duration: 35 minutes</p>	
<p>Terms of trade</p> <p>Students complete the explanation of terms of trade, filling in the missing words. (Depending on the group you could provide them with some/all of the missing words and they select where they think the words go).</p> <p>Then use multiple choice questions to practice calculating the terms of trade. Duration: 20 minutes</p>	



Thinking Contextually International Trade

Activities	Resources
<p>Heckscher-Ohlin theory</p> <p>Having explained the Heckscher-Ohlin theory. Give a global map with a series of pictures of products on each country. Students reallocate those pictures according to the sources of comparative advantage. (A Level only) Duration: 15 minutes</p>	
<p>Introduction to international trade</p> <p>It is a little dated, but can still be a useful resource to offer an introduction to international trade and comparative advantage.</p> <p>https://www.youtube.com/watch?v=xRJZWfqWcs0 Duration: 35 minutes</p>	
<p>Terms of trade</p> <p>Further reading material</p> <p>http://www.ft.com/cms/s/0/9703c7f4-21b7-11e2-b5d2-00144feabdc0.html#axzz3FoJTUDp3</p> <p>https://www.imf.org/external/pubs/ft/wp/2008/wp0836.pdf</p> <p>http://www.imf.org/external/pubs/ft/wp/2013/wp13103.pdf</p> <p>http://www.imf.org/external/pubs/ft/wp/2010/wp10241.pdf</p>	



Curriculum Content Balance of Payments

Macroeconomics: The global context > Balance of payments:

- explain what is meant by the balance of payments
- distinguish between the current account, capital account and financial account components of the balance of payments
- explain the components of the current account – trade in goods, trade in services and income and current transfers
- calculate the balances on the different components on the balance of payments
- explain what is meant by imbalances on the balance of payments
- explain why achieving a sustainable balance of payments position is an important macroeconomic policy objective
- evaluate the causes of imbalances on the balance of payments
- evaluate the consequences of imbalances on the balance of payments
- evaluate policies to correct imbalances on the balance of payments

NB. This section is relevant to both the AS and A Level.



Thinking Conceptually Balance of Payments

The balance of payments is a set of accounts that records the payments and receipts between consumers, businesses and the government in one country and the rest of the world. The accounts are divided into three sections: the current, financial and capital accounts.

The current account identifies transactions in goods and services, together with some income payments and international transfers. The financial account measures transactions in financial assets, including investment flows and central government transactions in foreign reserves. The capital account, contains capital transfers. Although the overall balance of payments must always be zero, there can be deficits or surpluses in particular kinds of transactions, for example trade in goods or services, foreign investment income, foreign aid, private investment, the flow of gold and money between central banks and treasuries, or any combination of these or other international transactions. The Balance of Payments is usually calculated every quarter and every calendar year.

Approaches to teaching the content

Because of the different skills required in this section, various approaches could be used. For example, multiple choice questions lend themselves to calculating the balances of different components of the Balance of Payments whereas an essay question and class discussions suit evaluating policies to correct imbalances.

Demonstrating imbalances graphically can be beneficial, if you can locate suitable data – see below for some suggestions.

Common misconceptions or difficulties students may have

One of the most common confusions is mixing the current account with the Government's budget. But students can also struggle with exchange rate movements and the effect on the current account as well as the difference between the current, capital account and the financial account.

They often just write the Balance of Payments when they actually mean the current account of the Balance of Payments; stress the importance of distinguishing between the whole account and one component of it.

Policies such as expenditure switching and expenditure reducing aren't always ones that they find easy to use in answers, even though they understand the principle of these policies.

Conceptual links to other areas of the specification – useful ways to approach this topic to set students up for topics later in the course

This section links with the exchange rate, globalisation and international trade most obviously. There are also connections with monetary policy (hot money flows) as well as fiscal and supply side policies when considering the impact of structural strengths and weaknesses on the current account and also adjustments to these policies on capital flows.



Thinking Contextually Balance of Payments

ACTIVITIES

Articles concerning a country's trade balance are plentiful and a good source of discussion on the factors affecting a surplus and a deficit. Using a range of countries with different areas of specialism and stages of development is helpful.

Also choose countries that are at different stages of the economic cycle.

Looking at fluctuations in a country's current account over time can stimulate discussion around the factors influencing these changes; is it just variations in the trade balance or other components of the current account, for example net income from investments abroad?

Activities	Resources
<p>Surplus or deficit?</p> <p>To introduce the key elements of the current account and the impact of changes leading to surplus or deficit</p> <ol style="list-style-type: none">1. Give students basic notes on what is included in the current account.2. Also give students a card that says 'Surplus' on one side and 'Deficit' on the other.3. They are told that to start with the current account is balanced.4. Add scenarios that would affect a component of the current account.5. Students choose whether this would result in a surplus or deficit.6. This is also a well-explained topic on Economics websites, so notes could be set as homework. The classroom can then be flipped to test understanding with exercises like this. Duration: 15 minutes	



Thinking Contextually Balance of Payments

Activities	Resources
<p>The causes and consequences of an imbalance on the balance of payments.</p> <p>Read articles on Argentina and the 'Fragile 5'. Give students (in small groups or pairs) a series of statements regarding causes, consequences and policy responses to imbalances on the balance of payments. Students allocate statements to the relevant circumstances of each economy and explain why that statement corresponds with that particular economic situation. Plenary exercise: Complete an essay on the policies used to correct imbalances in the balance of payments.</p> <p>http://www.bbc.co.uk/news/business-24280172</p> <p>http://www.ft.com/cms/s/2/407c42ac-6703-11e3-a5f9-00144feabdc0.html#axzz3F9PPzO37</p> <p>http://blogs.wsj.com/moneybeat/2014/03/19/fates-of-fragile-five-diverge-as-emerging-markets-face-tough-year/</p> <p>http://www.nytimes.com/2014/01/29/business/international/fragile-five-is-the-latest-club-of-emerging-nations-in-turmoil.html?_r=0</p> <p>http://www.theguardian.com/business/2014/feb/02/emerging-markets-brazil-indonesia-south-africa</p> <p>http://www.economist.com/news/finance-and-economics/21596989-how-worlds-fourth-most-populous-country-weathering-emerging-market</p> <p>Duration: 50 + minutes</p>	



Thinking Contextually Balance of Payments

Activities	Resources
<p>Calculate the balances on the different components on the balance of payments</p> <p>Give an incomplete balance of payments which students have to fill in.</p> <p>An opportunity for multiple choice questions; can they identify which is the correct answer for the missing figure on the balance of payments? Duration: 20 minutes</p>	
<p>Revision of topic</p> <p>Either on paper or on a computer, students complete a word wall of all the terms associated with the balance of payments. Duration: 15 minutes</p>	



Curriculum Content Exchange Rates

Macroeconomics: The global context > Exchange rates:

- explain what is meant by an exchange rate
- explain, with the aid of a diagram, how exchange rates are determined in fixed and floating exchange rate systems
- explain different measures of exchange rates, such as: bilateral, effective, nominal, real
- explain trends in exchange rate data
- evaluate the causes of exchange rate changes
- evaluate the consequences of exchange rate changes
- explain what is meant by a hybrid exchange rate system and be able to provide current examples
- evaluate the relative merits and drawbacks of different exchange rate systems
- explain purchasing power parity (PPP) theory
- evaluate PPP theory
- explain why some countries might manage their exchange rate to achieve international competitiveness
- explain the Marshall-Lerner condition and the J-curve
- evaluate the impact of exchange rate changes on international competitiveness
- evaluate the effectiveness of changing the value of a currency to achieve macroeconomic policy objectives

NB. This section is relevant to both the AS and A Level.



Thinking Conceptually Exchange Rates

The exchange rate is the price of one currency in terms of another. Currencies are traded in foreign exchange markets and the volume of money bought and sold is ever increasing. The level of the exchange rate is one influence on international competitiveness and hence exchange rates are an important instrument of monetary policy.'

Approaches to teaching the content

When teaching the mechanics of exchange rate systems, diagrams are a good visual teaching device. Students will quite often have a superficial understanding of the floating exchange rate system, so start here and then use that as a comparison for a fixed and hybrid system.

Common misconceptions or difficulties students may have

The real, effective and bilateral exchange rates can be areas of difficulty – use data to illustrate the points.

The concept of PPP can be very challenging for students and the Marshall-Lerner condition and J-curve effect can get confused for each other.

Conceptual links to other areas of the specification – useful ways to approach this topic to set students up for topics later in the course

International trade; globalisation; trade policies and negotiations; monetary policy; competitiveness and productivity; economic growth; development; inflation; aggregate demand and supply; employment and unemployment; elasticity.



Thinking Contextually Exchange Rates

ACTIVITIES

As always, it is beneficial to put things in to a real world context and make comparisons with the different systems used by governments. Good case studies are: China, emerging markets pegging their currency to the US dollar (such as Argentina's currency board or Brazil), or to the euro (Hungary or the currency boards in Bosnia and Bulgaria) and of course, Zimbabwe makes a very interesting study of how the government has implemented a multiple currency framework since suspending the Zimbabwean dollar in 2009.

Activities	Resources
<p>Mix and match: exchange rate diagrams.</p> <p>This activity helps to introduce students to the concept of floating exchange rates</p> <p>1. Have a variety of exchange rate diagrams with shifting curves and accompanying text to explain the reason for the shift and analysis of the effect on the price of the currency. 2. Mix up the diagrams and text for students to then match them back together. 3. Allocate a time limit for students to work to and see which team finishes first. 4. Either write up into notes or hand out complete version of diagrams and text for notes. 5. There are lots of good clips on the Internet on this topic, which could be watched before this activity e.g. http://www.youtube.com/watch?v=-x99PAwJ2tc</p> <p>Duration: 10+ minutes</p>	
<p>Purchasing power parity (PPP) theory (A Level only)</p> <p>Use the Economist Big Mac index to explore the theory and understand the criticisms of it. http://www.economist.com/content/big-mac-index Duration: 15 minutes</p>	



Thinking Contextually Exchange Rates

Activities	Resources
<p>The impact of exchange rate changes on international competitiveness</p> <p>Use case studies on the undervaluation of the Renmenbi to illustrate why some countries might manage their exchange rates to achieve international competitiveness.</p> <p>http://www.economist.com/news/china/21579488-after-enduring-decade-criticism-its-weakness-chinas-currency-now-looks-uncomfortably</p> <p>http://www.washingtonpost.com/blogs/wonkblog/wp/2012/10/22/five-facts-you-need-to-know-about-chinas-currency-manipulation/</p> <p>http://thehill.com/blogs/congress-blog/economy-a-budget/237423-currency-manipulation-gives-chinese-an-unfair-advantage</p> <p>http://www.forbes.com/sites/laursonpieler/2013/11/14/if-paul-krugman-supports-the-u-s-treasurys-currency-wars-then-treasury-must-be-confused/ Duration: 30 minutes</p>	



Thinking Contextually Exchange Rates

Activities	Resources
<p>Merits and drawbacks of different exchange rate systems</p> <p>Split the class into three groups. Give each group a different exchange rate system. 1) They research it, including the advantages and disadvantages.</p> <p>2) Mix them up into groups of three, each student having researched a different system. 3) Students teach their peers. 4) Teacher asks questions to assess the understanding of what they've been taught. Duration: 25 minutes</p>	
<p>Real world examples of different exchange rate systems.</p> <p>Give out case studies of countries using different exchange rate systems which students read (possibly in preparation for the following lesson). Split into two teams. The teacher thinks of the countries and without any reference to the case studies students must ascertain which one the teacher is thinking of by asking only yes or no questions. They have 10 questions. Duration: 15 minutes</p>	
<p>The J-curve effect</p> <p>Put the diagram on the board and ask students to discuss amongst themselves why the J-curve effect can be seen in the current account. Once they've had five minutes, ask them to give their suggestions. Duration: 15 minutes</p>	



Thinking Contextually Exchange Rates

Activities	Resources
<p>Marshall-Lerner condition</p> <p>Put images of various products that are exported from the UK on the screen and ask, if the £ sterling: US dollar exchange rate depreciated, whether they'd expect the subsequent change in demand to be greater or smaller than the change in price.</p> <p>Ask why they'd expect to see this?</p> <p>Carry out the same exercise but with products which are imported into the UK.</p> <p>Ask what impact having price elastic demand for both exports and imports has on the current account when the exchange rate depreciates.</p> <p>Give them the Marshall-Lerner Condition.</p> <p>Emphasise how price elasticity of demand can be a very useful evaluative tool when discussing exchange rate movements and the affect of the current account. Duration: 25 minutes</p>	
<p>Exchange rate data analysis</p> <p>This should help students to explain trends in exchange rate data; evaluate the causes of exchange rate changes; and evaluate the consequences of exchange rate changes</p> <p>Provide data on exchange rate fluctuations and ask students to consider, the possible causes and the potential consequences in both micro and macroeconomic terms.</p> <p>http://www.tradingeconomics.com/ Duration: 20 minutes</p>	
<p>Plenary of exchange rate systems</p> <p>Construct a word search or crossword to draw together the terminology and concepts associated with this topic.</p> <p>http://www.puzzle-maker.com/</p> <p>http://www.discoveryeducation.com/free-puzzlemaker/ Duration: 15 minutes</p>	



Curriculum Content Trade Policies and Negotiations

Macroeconomics: The global context > Trade policies and negotiations:

- explain different methods of protectionism
- explain the impact of methods of protectionism to include a diagrammatic explanation of tariffs and quotas
- evaluate the effectiveness of different methods of protectionism
- evaluate the case for and against protectionism
- evaluate the case for and against free trade
- evaluate the effectiveness of government policies to achieve international competitiveness
- explain, with examples, the stages of economic integration:
 - free trade areas • customs union • monetary union • economic union
- evaluate the internal and external consequences of economic integration, including diagrammatic analysis of trade creation and trade diversion
- evaluate the advantages and disadvantages of EU membership and how these vary between member states
- evaluate the role of the WTO in promoting free trade
- evaluate the progress made and difficulties faced by the WTO, such as agricultural disputes and trade agreements.

NB. This section is relevant to the A Level only.



Thinking Conceptually Trade Policies and Negotiations

Trade policies are one of the important issues in economics. They can create opportunities for UK business to trade and invest overseas, attract investment to the UK, strengthen international trading links and help developing countries benefit from trade and investment. The focus here is on evaluating relatively recent developments of trade policy and trade agreements.

Approaches to teaching the content

This topic lends itself to class debates on the merits and drawbacks of protectionism as well as the question of UK membership of the Euro-zone and the European Union. Both are 'hot' topics in the media and provide a wealth of opportunity for student practice defending arguments and asking searching questions.

There are also opportunities to compare different models of economic integration, for example: the Euro-zone and the Eastern Caribbean Currency Union.

Common misconceptions or difficulties students may have

Students can find the stages of economic integration difficult; in particular they may mix up the EU and the Euro-zone.

Trade creation and trade diversion, in particular the diagrams, can also be a challenging topic.

Conceptual links to other areas of the specification – useful ways to approach this topic to set students up for topics later in the course

International Trade; globalisation; economic growth and development; exchange rate systems; inequality; unemployment and employment; productivity; specialisation and trade.



Thinking Contextually Trade Policies and Negotiations

ACTIVITIES

The context of the EU and the Euro-zone is a very straightforward context, but can be compared with the Eastern Caribbean Currency Union.

Use examples of various trading blocs around the world, not just NAFTA, the EU and ASEAN. MERCOSUR can be an interesting context.

Trade negotiations can be studied in any different contexts and it can be interesting to look at ones that have been resolved as well as those that are ongoing.

The Doha Development Round (Agenda) is a good opportunity for discussion about why trade talks break down.

Activities	Resources
<p>Rainbow tariff diagram</p> <p>The aim is to introduce a tariff diagram plus benefits and problems for the economy that are shown by the diagram</p> <p>1. This needs a set of colour-coded instructions on how to draw a tariff diagram. Sets of colouring pencils will be needed. The colours used form a key to use for each part of the diagram. 2. Students first try to draw the diagram on a mini whiteboard. 3. After this is checked they can redraw the diagram in their notes using colours for each stage. 4. They should then include the written notes alongside. 5. This can be further explained either before or after completion of the diagram or by using a clip from the Internet.</p> <p>Test students on their knowledge of the diagram in the following lesson.</p> <p>Perhaps, ask a student to draw it on the whiteboard and various others to explain the areas of consumer surplus etc. Duration: 15 minutes</p>	
<p>Stages of economic integration</p> <p>Starter activity to introduce the stages. Project the stages on to a screen in the incorrect order and ask students to reorder them into what they think is correct. Duration: 10 minutes</p>	



Thinking Contextually Trade Policies and Negotiations

Activities	Resources
<p>Trade diversion and trade creation</p> <p>Teach these using diagrams and in context of a country that is either preparing to or has just joined a monetary union such as the Euro-zone.</p> <p>As with the tariff diagram, teach this using different coloured pens to highlight areas of consumer surplus, producer surplus etc. Duration: 15 minutes</p>	
<p>Evaluate the case for and against protectionism</p> <p>Give students statements corresponding to arguments for and against. 1) They organise them into case for and case against. 2) They order them into the strongest to the weakest arguments. 3) Discussion as a whole group on which are the strongest and weakest 4) Highlight the importance of selective analysis when evaluating the merits of protectionism.</p> <p>Duration: 15 minutes</p>	
<p>Merits and drawbacks of joining the EU and the Euro-zone</p> <p>Use the video clips below to draw out some of the arguments for and against joining the customs and monetary union.</p> <p>http://www.bbc.co.uk/news/world-europe-27169448</p> <p>http://www.bbc.co.uk/news/business-25492223</p> <p>Duration: 15 minutes</p>	
<p>Merits and drawbacks of joining the EU and the Euro-zone</p> <p>Put students in to two groups. After researching wither the arguments for or the arguments against, they debate the whether the UK should join the Euro-zone and/or whether we should remain in the EU.</p> <p>Duration: 25 minutes</p>	



Thinking Contextually Trade Policies and Negotiations

Activities	Resources
<p>Evaluate the progress made and difficulties faced by the WTO</p> <p>In groups of approximately 3 or 4 students research a current trade dispute. They represent different economies involved in that dispute and should only research the impact on their particular country. A group is also the WTO and acts as chairman of the discussions as well as making the final ruling. The group that represents the WTO should research the role of this organisation and have a basic overview of the issues surrounding the dispute. This is more interesting if you have countries represented that benefit and suffer from the dispute, this may be countries at different stages of development.</p> <p>Make this more interactive by arranging the classroom into a WTO meeting; tables in a U shape and name cards to represent the countries or flags.</p> <p>As a plenary – students write up a newspaper report on the progress made in the meeting and the challenges facing the WTO in promoting free trade. Duration: 45 minutes</p>	





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