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| **Unit Plan** | **02** | Start:  End: | Jan 2016  April 2017 | **Macroeconomics** | Grade Level: Teacher: | Grade 11  Stephen Ellis |

**PART I**

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| **Global Contexts** | |  | **Topic** (give subtopic code and title as required) |
| * Identities and relationships * orientation in time and space * personal and cultural expression * scientific and technical innovation * globalization and sustainability | This Global Context will be explored through inquiry into Identities and Relationships. |  | Topic 2: Macroeconomics (40SL, 50HL)   * Level of overall economic activity * Aggregate demand and aggregate supply * Macroeconomic objectives * Fiscal policy * Monetary policy * Supply-side policies |

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| **Key Concepts explored within the Unit:** | |
| **These can be found within each DP Guide or may be specific to a particular unit: e.g Equilibrium within systems (Biology), Genre and style (Visual Arts)**  Students will be given the opportunity to identify the four factors of production and their respective payments. The fact that that the income flow is numerically equivalent to the expenditure flow and the value of output flow will also be explained. Describe, using a diagram, the circular flow of income in an open economy with government and financial markets, referring to leakages/ withdrawals and injections.  Measures of economic activity: gross domestic product (GDP), and gross national product (GNP) or gross national income (GNI). | |
| **Content: Skills and Knowledge (Learning outcomes stated using command terms)** | |
| **All assessment statements addressed in the following subtopics:**  **Calculate nominal GDP from sets of national income data, using the expenditure approach.**  **Calculate GNP/GNI from data**  **Calculate real GDP, using a price deflator**.  Explain, using a business cycle diagram, that economies typically tend to go through a cyclical pattern characterized by the phases of the business cycle.  Explain the long-term growth trend in the business cycle diagram as the potential output of the economy.  Distinguish between a decrease in GDP and a decrease in GDP growth.    Distinguish between the microeconomic concept of demand for a product and the macroeconomic concept of aggregate demand.  Construct an aggregate demand curve.  Explain why the AD curve has a negative slope.    Describe consumption, investment, government spending and net exports as the components of aggregate demand.  The determinants of AD or causes of shifts in the AD curve  Explain how the AD curve can be shifted by changes in consumption due to factors including changes in consumer confidence, interest rates, wealth, personal income taxes (and hence disposable income) and level of household indebtedness.  Explain how the AD curve can be shifted by changes in investment due to factors including interest rates, business confidence, technology, business taxes and the level of corporate indebtedness.  Explain how the AD curve can be shifted by changes in government spending due to factors including political and economic priorities.  Explain how the AD curve can be shifted by changes in net exports due to factors including the income of trading partners, exchange rates and changes in the level of protectionism.    Describe the term aggregate supply.  Explain, using a diagram, why the short-run aggregate supply curve (SRAS curve) is upward sloping.    Alternative views of AS  Explain, using a diagram, that the monetarist/new classical model of the longrun aggregate supply curve (LRAS) is vertical at the level of potential output (full employment output) because aggregate supply in the long run is independent of the price level.  Explain, using a diagram, that the Keynesian model of the aggregate supply curve has three sections because of “wage/price” downward inflexibility and different levels of spare capacity in the economy.    Explain, using the two models above, how factors leading to changes in the quantity and/or quality of factors of production (including improvements in efficiency, new technology, reductions in unemployment, and institutional changes) can shift the aggregate supply curve over the long term.  Explain, using a diagram, the determination of short-run equilibrium, using the SRAS curve.  Examine, using diagrams, the impacts of changes in shortrun equilibrium.  Equilibrium in the monetarist / new classical model  Explain, using a diagram, the determination of long-run equilibrium, indicating that long-run equilibrium occurs at the full employment level of output.  Explain why, in the monetarist/new classical approach, while there may be short-term fluctuations in output, the economy will always return to the full employment level of output in the long run.  Examine, using diagrams, the impacts of changes in the long-run equilibrium.  Equilibrium in the Keynesian mode  Explain, using the Keynesian AD/AS diagram, that the economy may be in equilibrium at any level of real output where AD intersects AS.  Explain, using a diagram, that if the economy is in equilibrium at a level of real output below the full employment level of output, then there is a deflationary (recessionary) gap.  Explain, using a diagram, that if AD increases in the vertical section of the AS curve, then there is an inflationary gap.  Discuss why, in contrast to the monetarist/new classical model, increases in aggregate demand in the Keynesian AD/AS model need not be inflationary, unless the economy is operating close to, or at, the level of full employment.    Explain, with reference to the concepts of leakages (withdrawals) and injections, the nature and importance of the Keynesian multiplier. Use the multiplier to calculate the effect on GDP of a change in an injection in investment, government spending or exports.  Explain the difficulties in measuring unemployment, including the existence of hidden unemployment, the existence of underemployment, and the fact that it is an average and therefore ignores regional, ethnic, age and gender disparities.  Consequences of unemployment  Discuss possible economic consequences of unemployment, including a loss of GDP, loss of tax revenue, increased cost of unemployment benefits, loss of income for individuals, and greater disparities in the distribution of income.  Discuss possible personal and social consequences of unemployment, including increased crime rates, increased stress levels, increased indebtedness, homelessness and family breakdown.  Explain that inflation figures may not accurately reflect changes in consumption patterns and the quality of the products purchased.  Consequences of inflation  Discuss the possible consequences of a high inflation rate, including greater uncertainty, redistributive effects, less saving, and the damage to export competitiveness.  Consequence of deflation  Possible relationships between unemployment and inflation. Discuss, using a short-run Phillips curve diagram, the view that there is a possible trade-off between the unemployment rate and the inflation rate in the short run.    Describe, using a production possibilities curve (PPC) diagram, economic growth as an increase in actual output caused by factors including a reduction in unemployment and increases in productive efficiency, leading to a movement of a point inside the PPC to a point closer to the PPC.  Explain the difference between equity in the distribution of income and equality in the distribution of income.  Explain that due to unequal ownership of factors of production, the market system may not result in an equitable distribution of income.  Indicators of income equality / inequality  Analyse data on relative income shares of given percentages of the population, including deciles and quintiles. Explain how the Gini coefficient is derived and interpreted.    Distinguish between absolute poverty and relative poverty.  Explain possible causes of poverty, including low incomes, unemployment and lack of human capital.  The relationship between equity and efficiency. Evaluate government policies to promote equity (taxation, government expenditure and transfer payments) in terms of their potential positive or negative effects on efficiency in the allocation of resources.  Fiscal policy  The government budget  The role of fiscal policy  Monetary policy and Interest rates  The role of monetary policy    The role of supply-side policies  Interventionist supply-side policies  Market-based supply-side policies  Evaluation of supply-side policies | **Essential Skills: (including: ICT, Information Literacy and Academic Honesty) – these may be beyond those identified below as the essential ATL skills to be developed in the Unit**  Using national income statistics, including their use for   * making comparisons over time, * their use for making comparisons between countries and * their use for making conclusions about standards of living. |

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| **Resources** |
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| **Assessment instruments used**  **Formative/Summative Assessment (IA)/ Culminating Task(s)** | **Content/ Exam preparation** | **Internal Assessment Requirement** |
| Task & Description | IA type description |
| IA Commentary on Economics News Article | x | Commentary 2 |
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| **Making Connections** | |
| **Links with ToK** *(possible links – can it be communicated to ToK teachers?)* | **How can this unit *support* or *be supported by* other subject areas?** |
| Looking at alternative views of AD and AS  Discuss the possible consequences of deflation, including high levels of cyclical unemployment and bankruptcies.  Distinguish between absolute poverty and relative poverty. | * The discussion on poverty and its causes may link in very well with discussions on poverty and in English A and History. |

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| **International mindedness** |
| **How could students analyse different cultural persectives**  Students will discuss how global markets have a direct impact on the economy of a single country, particularly in terms of net exports, and inflationary and deflationary gaps. |

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| ***Approaches to Learning* and the *Learner Profile*** | | | |
| *Approaches to Learning* | *Learner Profile* Attributes | | How will the checked attributes be explicitly taught and assessed in the unit? |
| * Self-Management * Research * Thinking * Social Skills * Communication | * Inquirers * Knowledgeable * Thinkers * Communicators * Principled | * Open-minded * Caring * Risk-takers * Balanced * Reflective | Students will be responsible for choosing a country and collecting data on that country and then presenting their findings to the class. Students will need to be thinkers and use their critical thinking skills to understand how the different components of AD and AS combine to form a working economy. |

**PART II**

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| **Approaches to Teaching** |
| **How will teaching within this unit be grounded within the identified Approaches to Teaching (teaching that is inquiry based, conceptually focused, contextualized, collaborative, differentiated and informed by assessment)**  This unit is very much focused on teaching students to become independent researchers and thinkers, and getting students to become used to using statistical tools in order to conduct economic research. Formative assessment will be used on a regular basis to keep students focused on improving their skills, and the results if the assessments will also allow the teacher an opportunity to provide meaningful feedback to students. |