

UK Economic Activity

SCQF: level 6 (6 SCQF credit points)

Unit code: J294 76

Unit outline

The general aim of this Unit is to enable learners to understand economic activity of the government in the UK. Learners will consider the flow of income in the UK economy and will analyse taxation and spending decisions. They will learn to assess the policies and other methods the UK Government uses to achieve economic aims.

Learners who complete this Unit will be able to:

- 1 Assess the use of economic policies in achieving the main aims of the UK Government
- 2 Analyse the role of the public sector in the UK economy
- 3 Explain national income with reference to the circular flow of income and the multiplier effect

This Unit is available as a free-standing Unit. The Unit Specification should be read in conjunction with the *Unit Support Notes*, which provide advice and guidance on delivery, assessment approaches and development of skills for learning, skills for life and skills for work. Exemplification of the standards in this Unit is given in *Unit Assessment Support*.

Recommended entry

Entry to this Unit is at the discretion of the centre. However, learners would normally be expected to have attained the skills, knowledge and understanding required by one or more of the following or equivalent qualifications and/or experience:

- ◆ National 5 Economics Course or relevant component Units
- ◆ Numeracy (National 5) Unit
- ◆ Literacy (National 5) Unit

Examples of other such relevant prior learning and experiences would include an interest in the economy and/or current affairs.

Equality and inclusion

This Unit Specification has been designed to ensure that there are no unnecessary barriers to learning or assessment. The individual needs of learners should be taken into account when planning learning experiences, selecting assessment methods or considering alternative evidence. For further information, please refer to the *Unit Support Notes*.

Standards

Outcomes and assessment standards

Outcome 1

The learner will

- 1 Assess the use of economic policies in achieving the main aims of the UK Government by:**
 - 1.1 Explaining how monetary policy is used to achieve the UK Government's main aims
 - 1.2 Explaining how fiscal policy is used to achieve the UK Government's main aims

Outcome 2

The learner will:

- 2 Analyse the role of the public sector in the UK economy by:**
 - 2.1 Using examples, assess how changes in different types of taxation affect individuals or firms
 - 2.2 Using examples, assess how changes in different types of government spending affect the UK economy
 - 2.3 Explaining how a budget surplus or a budget deficit could affect the UK economy

Outcome 3

The learner will:

- 3 Explain national income with reference to the circular flow of income and the multiplier effect by:**
 - 3.1 Illustrating the circular flow of income for an open economy, using a correctly labelled diagram, with reference to injections and leakages
 - 3.2 Assessing the impact that leakages or injections may have on national income
 - 3.3 Describing the concept of the multiplier effect

Evidence Requirements for the Unit

Assessors should use their professional judgement, subject knowledge and experience, and understanding of their learners, to determine the most appropriate ways to generate evidence and the conditions and contexts in which they are used.

Evidence can be drawn from a variety of sources and presented in a variety of formats including short written responses and/or recorded oral evidence. Learners should use appropriate economic terminology in their responses at all times and, where appropriate, make use of relevant examples.

Evidence may be presented for individual Outcomes or it may be gathered for the Unit as a whole through combining assessment in one single activity. If the latter approach is used, it must be clear how the evidence covers each Outcome.

Exemplification of assessment is provided in *Unit Assessment Support*. Advice and guidance on possible approaches to assessment is provided in the *Unit Support Notes*.

Assessment standard thresholds

If a candidate successfully meets the requirements of the specified number of Assessment Standards they will be judged to have passed the Unit overall and no further re-assessment will be required.

The specific requirements for this Unit is as follows:

- ◆ UK Economic Activity — the threshold for this Unit will be 6 out of 8 Assessment Standards.

It should be noted that there will still be the requirement for candidates to be given the opportunity to meet all Assessment Standards. The above threshold has been put in place to reduce the volume of re-assessment where that is required.

Development of skills for learning, skills for life and skills for work

It is expected that learners will develop broad, generic skills through this Unit. The skills that learners will be expected to improve on and develop through the Unit are based on SQA's *Skills Framework: Skills for Learning, Skills for Life and Skills for Work* and drawn from the main skills areas listed below. These must be built into the Unit where there are appropriate opportunities.

1 Literacy

1.2 Writing

2 Numeracy

2.3 Information handling

4 Employability, enterprise and citizenship

4.1 Employability

5 Thinking skills

5.3 Applying

5.4 Analysis and evaluating

Amplification of these is given in SQA's *Skills Framework: Skills for Learning, Skills for Life and Skills for Work*. The level of these skills should be at the same SCQF level of the Unit and be consistent with the SCQF level descriptor. Further information on building in skills for learning, skills for life and skills for work is given in the *Unit Support Notes*.

Appendix: Unit support notes

Introduction

These support notes are not mandatory. They provide advice and guidance on approaches to delivering and assessing this Unit. They are intended for teachers and lecturers who are delivering this Unit. They should be read in conjunction with:

- ◆ the *Unit Specification*
- ◆ the *Unit Assessment Support packs*

Developing skills, knowledge and understanding

Teachers and lecturers are free to select the skills, knowledge, understanding and contexts which are most appropriate for delivery in their centres.

Approaches to learning and teaching

Topic	Skills, knowledge and understanding	Suggested experiences and activities
Government Finance	<p>Learners should be aware of:</p> <ul style="list-style-type: none"> ◆ reasons for taxation and government spending ◆ the distinction between direct and indirect taxation, progressive and regressive taxation ◆ reasons the UK Government has altered the balance between direct and indirect taxation ◆ the effects of taxation on individuals and firms ◆ the distinction between, and examples of, government capital spending, current spending and transfer payments ◆ the reasons for any changing balance/pattern to areas of government spending ◆ the role of the budget ◆ a balanced budget, a deficit and borrowing budget and a surplus budget 	<ul style="list-style-type: none"> ◆ Examining media articles on types and effects of recent taxation changes and discussing the reasons for the changes and their consequences. ◆ Analysing tables showing government finances over the last 10 years with a view to identifying trends and reasons for the trends — the same could be done with the UK Budget figures. ◆ Discuss whether the Chancellor should budget for a surplus or deficit in specific situations. ◆ Researching information on the current UK Budget and discussing the effects on the spending and borrowing proposals.
Government aims	<p>Learners should be aware of:</p> <ul style="list-style-type: none"> ◆ the main government macroeconomic and microeconomic aims and any conflicts arising when attempting to achieve these aims ◆ inflation and the methods of measuring inflation ◆ reasons for inflation occurring ◆ the effects of inflation on individuals, firms and the UK economy ◆ recent trends in inflation ◆ unemployment and the methods of measuring unemployment ◆ reasons for unemployment ◆ the effects of unemployment on individuals, firms and 	<ul style="list-style-type: none"> ◆ Discussing which government aims might conflict with each other (researching the UK economy in the early 1980s) and which might complement each other. ◆ Giving definitions of inflation and the rate of inflation. Then, in groups, devising a method of calculating the UK rate of inflation. The results can be used as a starting point for an explanation of how the CPI is calculated. It can then be compared and contrasted with the RPIX and the CPI. ◆ Splitting the class into four groups and giving each group a graph of the UK inflation rate in the 1970s and one of the following: demand-pull inflation, cost-push inflation. Each group should research their cause of inflation, explain it to the class and assess its influence on the

	<p>the UK economy</p> <ul style="list-style-type: none"> ◆ recent trends in unemployment ◆ economic growth and the measures to improve growth ◆ the business cycle ◆ the costs and benefits of economic growth 	<p>1970 figures.</p> <ul style="list-style-type: none"> ◆ Analysing a graph of the UK inflation rate for the last 10 years and discussing the possible reasons for the trends. ◆ Giving groups a list of different people, eg borrowers, savers, importers, exporters, governments, people on fixed incomes, pensioners, consumers, etc. The groups should discuss how each category would be affected by a relatively high rate of UK inflation. The results can be used to highlight the effects of inflation and examine the concepts of real income and index-linked. Splitting learners into small groups. ◆ Learners are given 10 minutes to produce a list of the consequences of inflation. Groups of learners should be allocated one or more of the main consequences stated and explain how it affects prices, savings, wages and unemployment and the economy in general. ◆ Giving the class a definition of unemployment. In groups, discussing whether each of the following would be classed as being unemployed: full-time students, housewives/husbands, children, people in the armed forces, the retired, the self-employed, prisoners, unpaid charity workers, people not actively seeking a job. From the answers, discuss the concept of being economically inactive and the relationship between activity rates, the labour force and the population level. ◆ Researching the two main ways of measuring unemployment. Learners should aim at being able to define each method and discuss its advantages and disadvantages. ◆ Dividing the class into four groups — one consisting of workers, another consisting of workers who have recently become unemployed, another consisting of producers and the last group representing the government. Assuming that, due to a severe recession,
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		<p>the country is experiencing a prolonged period of high and rising unemployment, each group must discuss how they will be affected. A spokesperson from each group should relate their conclusions to the class.</p> <ul style="list-style-type: none"> ◆ Analysing a graph of the UK unemployment rate for the last 10 years and discussing the possible reasons for the trends. ◆ Introducing concept of economic growth by referring back to Production Possibility diagrams. ◆ Discussing factors which could cause an increase in the rate of economic growth. ◆ Debating the advantages and disadvantages of increased economic growth.
Government policies	<p>Learners should be aware of:</p> <ul style="list-style-type: none"> ◆ fiscal policies and the effects of fiscal policy on individuals, firms and the UK economy ◆ monetary policies and the effects of monetary policy on individuals, firms and the UK economy ◆ supply-side policies and the effects of supply-side policy on individuals, firms and the UK economy ◆ the use of fiscal, monetary and supply-side policies in meeting the main aims of government 	<ul style="list-style-type: none"> ◆ Splitting the class into three groups to discuss what policies should be used in each of the following scenarios: <ul style="list-style-type: none"> — group one: low growth, high unemployment, low inflation — group two: high growth, low unemployment, high inflation — group three: low growth, high unemployment, high inflation (stagflation) ◆ The groups now adopt the role of the Monetary Policy Committee. They should research the current state of the UK economy and decide what they should do in terms of interest rates next month. They must justify their actions to the rest of the class. If appropriate, the groups could discuss why, despite inflation being repeatedly above its target rate, interest rates have not been increased. ◆ Giving the class a definition of supply-side policies and asking the groups to identify possible examples.
National	Learners should be able to:	<ul style="list-style-type: none"> ◆ Introducing the circular flow diagram and the concept of

income	<ul style="list-style-type: none"> ◆ illustrate and describe the Circular Flow of Income in an open economy ◆ explain the Equilibrium level of National Income and how it can be affected by changes in injections and withdrawals ◆ explain effects of changes in national income on inflation, employment and output ◆ distinguish between real and nominal Gross Domestic Product (GDP) and Gross National Product (GNP) ◆ describe the uses of national income statistics ◆ calculate and explain the operation of the simple multiplier 	<p>national income equilibrium ($Y = EXP$) by using a simple two-sector closed economy. The class could draw the diagram and, in groups, discuss how income might leak out of the flow or be added to the flow. Once savings and investment have been identified, the groups should discuss the new equilibrium condition.</p> <ul style="list-style-type: none"> ◆ Discussing what would happen (in terms of new injections and withdrawals) if the economy is opened up to global trade and a government sector is introduced. Once imports, exports, government spending and taxation have been identified, the groups should discuss the final equilibrium condition. Groups can now discuss what would happen to national income if the levels of injections or withdrawals increased or decreased. ◆ Giving each group a (hypothetical) table showing GDP and inflation over a number of years. Make the GDP figures simple and have them increasing by 10% each year. The inflation rates should fluctuate significantly. The groups should discuss what they think happened to the standard of living in each year. The results can be used to examine the difference between real and nominal GDP. GDP can then be discussed in terms of the word 'domestic', ie at home, and then compared with the concept of national output. ◆ Introducing the concept of the multiplier by discussing the meaning of the quote, 'one person's spending is another person's income'. Once explained, the multiplier can be used to examine/research the effects that North Sea oil has had on the Aberdeen area and the possible effects on the UK economy of the 2012 Olympic Games. ◆ Discussing the following question: Given that National Income statistics are difficult, time-consuming and expensive to construct — and are often no more than estimates — why are they wanted?
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Place of Scotland in the UK economy	Learners should be aware of: <ul style="list-style-type: none"> ◆ the economic powers given to the Scottish Parliament ◆ the effects of UK economic policies on Scotland 	<ul style="list-style-type: none"> ◆ Researching powers that have been devolved to the Scottish Parliament and which have been reserved to the UK Parliament. ◆ Debating — should the Scottish Parliament implement its ‘tartan tax’? ◆ Discussing some recent government policies, eg reform of child benefit, and ask them to discuss its likely effects on the Scottish economy.
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Combining assessment within Units

Assessment could be combined in this Unit by holistically assessing all the Outcomes of the Unit in a single assessment. When assessment within the Unit is holistic, teachers and lecturers should take particular care to track the evidence for each individual Outcome.

Administrative information

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Superclass: EB

History of changes to National Unit Specification

Version	Description of change	Authorised by	Date
1.1	Minor wording changes in Unit outline section, AS 1.1, AS 1.2, AS 2.3 and AS 3.2 to clarify meaning.	Qualifications Development Manager	April 2014
2.0	Level changed from Higher to SCQF level 6. Unit support notes added. Assessment standard threshold added.	Qualifications Manager	September 2018
3.0	Unit code updated	Qualifications Manager	July 2019

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