



Economics

Guidance on modifications to Higher course assessments for session 2021–22

August 2021

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Overview

The following topic and/or subtopic areas of content **will not** be directly assessed in the 2022 Higher Economics question paper:

- ◆ Markets — some subtopics
- ◆ Costs — some subtopics
- ◆ Government aims — some subtopics
- ◆ National income — one subtopic
- ◆ Understanding global trade — some subtopics
- ◆ Balance of payments — one subtopic
- ◆ Understanding the impact of global economy — some subtopics

We have highlighted* these in the following extract from the course support notes, taken from the *Higher Economics Course Specification*.

You should use this guidance to help you plan which parts of the course to emphasise for session 2021–22, as it highlights course content that **will not** be directly assessed in the 2022 question paper.

The original content of the course has not changed. Candidates will continue to be credited for relevant knowledge used to answer a question in the question paper, including knowledge from the highlighted, not directly assessed, course content.

You should continue to deliver the entire course as normal, to help ensure a seamless progression into the next level of study. However, you can decide timing and depth of delivery, and if you want to internally assess the areas not directly assessed in the 2022 question paper.

Candidates must also complete a coursework assignment. Grades will be awarded based on their performance in both the assignment and the question paper.

*see column 2 for highlighted text

Approaches to learning and teaching

Economics of the market		
Topic	Further advice and guidance about skills, knowledge and understanding	Suggested experiences and activities for candidates
The economic problem	<p>Candidates should be aware of:</p> <ul style="list-style-type: none"> ◆ the concepts of scarcity, choice, and opportunity cost — their relationship and importance: <ul style="list-style-type: none"> — scarcity in different economic systems (planned, mixed and market economies) — resource substitution and mobility ◆ the effect of opportunity cost on individuals, firms and governments ◆ the difference between scarcity and shortage ◆ the difference between economic goods and free goods 	<ul style="list-style-type: none"> ◆ discussing in groups what they think the most important economic problems facing the world today are and ranking them in order — follow up with a class discussion ◆ introducing opportunity cost by asking candidates to describe, and give reasons for, three choices they made that week — follow up by considering choices made by firms and governments ◆ using ‘the survival game’ to explore needs and wants and to illustrate aspects of limited resources ◆ discussing the main purpose and aim of economics — this should draw out that it shows how to make the best (most efficient) use of scarce resources
Production possibility diagrams	<p>Candidates should be able to:</p> <ul style="list-style-type: none"> ◆ draw and interpret production possibility diagrams: <ul style="list-style-type: none"> — use diagrams to explain opportunity cost, technical efficiency and economic growth ◆ distinguish between technical efficiency and economic efficiency: <ul style="list-style-type: none"> — use diagrams to explain changes in economic efficiency 	<ul style="list-style-type: none"> ◆ explaining the difference between technical and economic efficiency and then discussing in groups how the two are related: <ul style="list-style-type: none"> — construct a production possibility diagram to illustrate technical efficiency and opportunity cost — compare movements of actual production towards the curve and outward movements of the curve

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		<ul style="list-style-type: none"> — using production possibility diagrams to explain concepts of scarcity, choice, and opportunity cost
Theory of demand	<p>Candidates should be aware of:</p> <ul style="list-style-type: none"> ◆ effective demand, demand schedules and curves ◆ individual and market demand ◆ the difference between total and marginal utility ◆ diminishing marginal utility ◆ how a normal demand curve is derived using marginal utility, income and substitution effects: <ul style="list-style-type: none"> — exceptions to the law of demand, for example, Giffen goods and Veblen goods, and speculation ◆ movement along the demand curve as a result of changes in price <p>Candidates should be able to:</p> <ul style="list-style-type: none"> ◆ draw and analyse movements along demand curves 	<ul style="list-style-type: none"> ◆ carrying out an experiment by eating one biscuit at a time and, after each biscuit, recording satisfaction in a table (for example, first biscuit = 100): <ul style="list-style-type: none"> — discuss the concepts of total, marginal and diminishing marginal utility from the results — discuss the inverse relationship between price and quantity demanded and whether the demand for a specific good would increase or decrease if the price halved or doubled ◆ drawing and analysing demand curves from a demand schedule that will cause movement along the curve
Determinants of demand	<p>Candidates should be aware of:</p> <ul style="list-style-type: none"> ◆ causes of shifts in demand curves, for example, income, tastes, advertising, prices of other goods (substitutes and complements), fashion, population, availability of credit, and expectations of price changes 	<ul style="list-style-type: none"> ◆ discussing why we are likely to buy more of a good when its price falls and vice versa — relating this to (marginal) utility, real income and the price of substitutes: <ul style="list-style-type: none"> — what causes us to buy more of a good than we do now

Economics of the market		
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	<ul style="list-style-type: none"> ◆ the effects of determinants of demand on quantity demanded <p>Candidates should be able to:</p> <ul style="list-style-type: none"> ◆ draw and analyse shifts in demand curves 	<ul style="list-style-type: none"> — how an increase in demand would affect the demand curve for the good ◆ drawing and analysing demand curves using scenarios that will cause a shift in the curve
Price elasticity of demand (PED)	<p>Candidates should be aware of:</p> <ul style="list-style-type: none"> ◆ the factors influencing PED, for example, availability of substitutes, durability, habit-forming goods, percentage of income spent, degree of necessity ◆ the effects of price changes on total revenue: <ul style="list-style-type: none"> — interpret PED using the formula — the importance of PED for governments and firms <p>Candidates should be able to:</p> <ul style="list-style-type: none"> ◆ draw and analyse elastic and inelastic demand curves to illustrate the effects on total revenue 	<ul style="list-style-type: none"> ◆ using a list of goods (consisting of some that are essential, habit-forming, substitutes, cheap, and durable) and assuming that tomorrow the price of all of the goods will increase by 20%: <ul style="list-style-type: none"> — consider if demand will fall by more or less than 20% in each case — justify this using their results to explain PED and the factors that determine it ◆ discussing whether firms prefer price elastic or inelastic goods when prices are rising — considering the point of view of retailers
Theory of supply	<p>Candidates should be aware of:</p> <ul style="list-style-type: none"> ◆ supply schedules and curves ◆ individual and market supply ◆ movement along the supply curve as a result of changes in price 	<ul style="list-style-type: none"> ◆ drawing and analysing supply curves from a supply schedule that will cause movement along the curve

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	<p>Candidates should be also able to:</p> <ul style="list-style-type: none"> ◆ draw and analyse movements along supply curves 	
Determinants of supply	<p>Candidates should be aware of:</p> <ul style="list-style-type: none"> ◆ causes of shifts in supply curves, for example, cost of factors of production, technology, weather, taxes and subsidies, price of other goods, and expectations of price changes ◆ the effects of determinants of supply on quantity supplied <p>Candidates should be able to:</p> <ul style="list-style-type: none"> ◆ draw and analyse shifts in supply curves 	<ul style="list-style-type: none"> ◆ splitting into two groups — one group are strawberry producers; the other group are oil producers: <ul style="list-style-type: none"> — each group to discuss what situations can arise (other than a change in the price of their good) that would result in altering their supply (either increasing or decreasing it) <p>Note: candidates can ignore changes in the demand for their good, as that would alter the price.</p> — using their answers, describe the determinants of supply and the causes of shifts in a supply curve <ul style="list-style-type: none"> ◆ discussing: <ul style="list-style-type: none"> — what could happen that would cause them to supply more of a good than they do now — how the increase in supply would affect the supply curve for the good ◆ drawing and analysing supply curves using scenarios that will cause a shift in the curve
Markets	<p>Candidates should be aware of:</p> <ul style="list-style-type: none"> ◆ the nature of the market and setting of prices by market forces — the price mechanism 	<ul style="list-style-type: none"> ◆ investigating how the price of a particular good is affected by levels of demand and supply using, for

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	<ul style="list-style-type: none"> ◆ price as a basis for exchange and market clearing <ul style="list-style-type: none"> — excess demand, excess supply and the forces which return market price to equilibrium ◆ the effects of changes in demand and supply on equilibrium level ◆ joint demand and competitive demand ◆ joint supply and competitive supply <p>Candidates should be able to:</p> <ul style="list-style-type: none"> ◆ draw and analyse market diagrams to show: <ul style="list-style-type: none"> — a shift in demand and/or supply — upward pressure on price due to excess demand — downward pressure on price due to excess supply — the impact of taxes and subsidies on consumers and producers 	<p>example, online sellers, such as eBay or Amazon Marketplace:</p> <ul style="list-style-type: none"> — using the findings to explain market clearing, shortages, gluts and the price mechanism <ul style="list-style-type: none"> ◆ splitting into four groups of strawberry producers and assuming an equilibrium price of £1 a punnet: <ul style="list-style-type: none"> — each group to produce a demand and supply diagram to explain what would happen if one of the four following market conditions changed: increase or decrease in demand, increase or decrease in supply — join various groups together to consider the impact of two simultaneous changes and illustrate these in a series of diagrams ◆ drawing demand and supply diagrams to show what will happen in the market for: <ul style="list-style-type: none"> — cream, if there is a shortage of soft fruit due to a poor harvest — Shell petrol, if there is a decrease in the price of BP petrol — wool, if there is an increase in the demand for mutton
Production	<p>Candidates should be aware of:</p> <ul style="list-style-type: none"> ◆ specialisation and the division of labour: <ul style="list-style-type: none"> — advantages and disadvantages 	<ul style="list-style-type: none"> ◆ using resources to illustrate specialisation, division of labour and productivity (for example, The Foundations of Wealth DVDs and the ‘survival game’)

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	<ul style="list-style-type: none"> ◆ productivity: <ul style="list-style-type: none"> — definition — measures to improve ◆ returns to factors of production (rent, wages, interest, and profit) ◆ returns to a single variable factor in the short run, for example, increasing then diminishing returns when adding units of labour 	<ul style="list-style-type: none"> ◆ using a hypothetical scenario to construct a table showing what happens to the total output of workers as their number increases (for example, a farmer employing an increasing number of workers to grow potatoes): <ul style="list-style-type: none"> — discuss why this happens and relate it to average and marginal output
Costs	<p>Candidates should be aware of:</p> <ul style="list-style-type: none"> ◆ fixed, variable, total, average, and marginal costs ◆ short-run average costs curves: <ul style="list-style-type: none"> — law of diminishing returns ◆ long-run average cost curves: <ul style="list-style-type: none"> — economies and diseconomies of scale (internal and external) ◆ the relationship between costs, revenue and profit ◆ short-run shut-down decisions, for example, continue if price is greater than average variable cost, machinery restart costs would be incurred, customer loyalty would be lost, cost of replacing experienced or trained staff is high, investor confidence would be lost <p>Candidates should be able to:</p>	<ul style="list-style-type: none"> ◆ using a list of production costs of a particular firm, for example, one making wooden tables: <ul style="list-style-type: none"> — work out what would happen to costs if the firm increased its weekly output by 20% — using the answers to discuss the difference between fixed and variable costs ◆ constructing a table showing a firm's hypothetical total cost at increasing output levels: <ul style="list-style-type: none"> — using the figures to calculate average costs and marginal costs — draw average cost curves from the table and discuss their shapes ◆ researching the origins of large companies, for example, Sainsbury's, Marks & Spencer: <ul style="list-style-type: none"> — using the results to explain the short run, the long run and economies of scale

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	<ul style="list-style-type: none"> ◆ draw and analyse cost curves: <ul style="list-style-type: none"> — in the short run: fixed, variable, total, average variable, average fixed, average total, marginal costs — in the long run: variable, total, average variable, average total, marginal costs 	
Market structures	<p>Candidates should be aware of:</p> <ul style="list-style-type: none"> ◆ the characteristics of perfect competition ◆ the characteristics of monopoly 	<ul style="list-style-type: none"> ◆ drawing a competition spectrum with perfect competition at one end and monopoly at the other: <ul style="list-style-type: none"> — using pieces of paper with the name of well-known firms and markets (for example, Microsoft, Unilever, McDonald's, Tesco, BP, the stock market, a local newsagent), place the firm or market on an appropriate part of the spectrum — discuss the results to appreciate the characteristics of perfect competition and monopoly ◆ discussing a list of markets with different levels of competition (for example, electricity generator, computer software developer, window cleaner) to explain barriers to entry and their importance for monopolies
Market intervention	<p>Candidates should be aware of:</p> <ul style="list-style-type: none"> ◆ market failure: <ul style="list-style-type: none"> — definition 	<ul style="list-style-type: none"> ◆ debating reasons for taxes on certain goods, for example, 'This House believes that the tax on cigarettes should be increased.'

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	<ul style="list-style-type: none"> — types, for example, monopoly, negative externalities, income distribution, under-provision of merit goods (incomplete markets), lack of provision of public goods (missing markets), lack of information, overconsumption of demerit goods ◆ reasons for, and types of, government intervention to correct market failure, for example, by providing public and merit goods, using taxes, subsidies, quotas, maximum price, minimum price, legislation, privatisation, deregulation, renationalisation, and regulatory bodies (watchdogs, the Competition and Markets Authority — CMA): <ul style="list-style-type: none"> — the costs of government intervention — the distinction between merit goods and public goods, for example, features of rivalry and excludability in consumption 	<ul style="list-style-type: none"> ◆ discussing reasons for and against government intervention in various markets, for example: <ul style="list-style-type: none"> — Scottish Government subsidy to early years education with Bookbug — Scottish Government subsidy to people living in rural areas to enable broadband access — minimum price for alcohol — increasing rail fares by inflation +1% — sugar tax on soft drinks — grants given to fund research into electric cars ◆ discussing the consequences of only allocating resources through the market mechanism (using real examples)

UK economic activity		
Topic	Further advice and guidance about skills, knowledge and understanding	Suggested experiences and activities for candidates
Government finance	<p>Candidates should be aware of:</p> <ul style="list-style-type: none"> ◆ reasons for taxation and government spending <p>Taxation</p> <ul style="list-style-type: none"> ◆ distinctions between, and examples of, direct and indirect taxation ◆ distinctions between, and examples of, progressive and regressive taxation ◆ the balance between direct and indirect taxation: <ul style="list-style-type: none"> — reasons the UK government has altered this balance ◆ the effects of taxation on individuals and firms <p>Government spending</p> <ul style="list-style-type: none"> ◆ distinctions between, and examples of, current spending, capital spending and transfer payments: <ul style="list-style-type: none"> — reasons the UK government has altered the balance and/or pattern of spending, for example, austerity vs expansion <p>Budget</p> <ul style="list-style-type: none"> ◆ a deficit budget, a surplus budget and a balanced budget ◆ the effect of a budget surplus or deficit on the UK economy, for example, the borrowing requirement 	<ul style="list-style-type: none"> ◆ discussing media articles on types and effects of recent taxation changes and their consequences ◆ analysing tables of figures showing government finances, UK and Scottish Budget over the last 10 years and identifying trends and reasons for the trends ◆ discussing under what circumstances the UK Chancellor should budget for a surplus or deficit ◆ researching the current UK and Scottish Budget and discussing the effects on the spending and borrowing proposals

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Government aims	<p>Candidates should be aware of:</p> <ul style="list-style-type: none"> ◆ the main government macroeconomic aims, for example, low and stable inflation, low unemployment, sustainable economic growth, a balanced position on the balance of payments: <ul style="list-style-type: none"> — any conflicts arising when attempting to achieve any particular aim ◆ the main government microeconomic aims, for example, reducing income inequality, reducing regional disparities, correcting market failure: <ul style="list-style-type: none"> — any conflicts arising when attempting to achieve any particular aim <p>Inflation</p> <ul style="list-style-type: none"> ◆ the definition of inflation and the methods of measuring inflation ◆ types of inflation: <ul style="list-style-type: none"> — demand-pull, cost-push ◆ causes of inflation: <ul style="list-style-type: none"> — lower direct and/or indirect taxes — increased government spending — falling interest rates — monetary stimulus — rising cost of imported raw materials — rising labour costs — higher indirect taxes 	<ul style="list-style-type: none"> ◆ discussing which government aims conflicted with each other in the aftermath of the financial crisis in 2008 ◆ reading and watching news stories relevant to government aims and any conflicts arising from trying to achieve multiple aims simultaneously <p>Inflation</p> <ul style="list-style-type: none"> ◆ thinking of a fair method of calculating the UK rate of inflation: <ul style="list-style-type: none"> — use the results as a starting point to explain how the Consumer Prices Index (CPI) is calculated — compare and contrast with the CPIH and the Retail Prices Index (RPI) ◆ analysing a graph of the UK inflation rate for the last 5 or 10 years and discussing the possible reasons for the trends ◆ using a list of different people, for example, borrowers, savers, importers, exporters, governments, people on fixed incomes, pensioners, consumers: <ul style="list-style-type: none"> — discuss how each category would be affected by a relatively high rate of UK inflation — if appropriate, discuss how each group would be affected by deflation

UK economic activity		
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	<ul style="list-style-type: none"> — increase in the money supply ◆ the effects of inflation on individuals, firms and the UK economy ◆ recent trends, and the reasons for trends, in inflation (including deflation, if relevant) <p>(Un)employment</p> <ul style="list-style-type: none"> ◆ the definition of (un)employment and the methods of measuring (un)employment ◆ types of and reasons for (un)employment, for example, cyclical, structural, frictional, seasonal, regional ◆ the effects of (un)employment on individuals, firms and the UK economy ◆ recent trends, and the reasons for trends, in (un)employment <p>Growth</p> <ul style="list-style-type: none"> ◆ the definition of economic growth and measures to improve growth and output <ul style="list-style-type: none"> — description of the stages of the business cycle ◆ effects on standards of living ◆ recent trends, and the reasons for trends, in economic growth <ul style="list-style-type: none"> — the costs and benefits of economic growth 	<ul style="list-style-type: none"> — using the results to highlight the effects of inflation and examining the concept of real income ◆ discussing how inflation and deflation affects prices, savings, wages, unemployment and the economy in general <p>(Un)employment</p> <ul style="list-style-type: none"> ◆ discussing which groups of people would be classed as (un)employed, for example, 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 ◆ discussing 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 (un)employment and discuss their advantages and disadvantages ◆ splitting into four groups (workers, workers who have recently become unemployed, producers and the government) and assuming that, due to a severe recession, the country is experiencing a prolonged period of high and rising unemployment: <ul style="list-style-type: none"> — discuss how each group will be affected and relate their conclusions to the class

UK economic activity		
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		<ul style="list-style-type: none"> ◆ analysing a graph of UK (un)employment for the last 5 or 10 years and discuss the possible reasons for the trends <p>Growth</p> <ul style="list-style-type: none"> ◆ introducing the 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>Candidates 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 into three groups and discussing 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) ◆ adopting the role of the Monetary Policy Committee: <ul style="list-style-type: none"> — decide and justify what to do in terms of interest rates next month

UK economic activity		
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		<ul style="list-style-type: none"> — if appropriate, discuss why interest rates have not increased immediately when inflation has risen above the target rate ◆ identifying possible current examples of supply-side policies
National income	<p>Candidates should be aware of:</p> <ul style="list-style-type: none"> ◆ the circular flow of income in an open economy ◆ the concept of a simple multiplier (positive and negative) ◆ the effects of changes in national income on employment and output ◆ the distinction between real and nominal Gross Domestic Product (GDP) and Gross National Product (GNP) ◆ the equilibrium level of national income and how it can be affected by changes in injections and withdrawals ◆ the uses of national income statistics <ul style="list-style-type: none"> — limitations in the use of national income statistics <p>Candidates should be able to:</p> <ul style="list-style-type: none"> ◆ draw the circular flow of income in an open economy ◆ illustrate, exemplify and calculate a simple multiplier using the formula 	<ul style="list-style-type: none"> ◆ introducing the circular flow diagram and the concept of national income equilibrium (Income = Expenditure): <ul style="list-style-type: none"> — identifying savings and investment using a simple two-sector closed economy — discussing the new equilibrium condition ◆ discussing what would happen once imports, exports, government spending and taxation have been introduced in terms of the final equilibrium condition ◆ discussing what would happen to national income if the levels of injections or withdrawals increased or decreased ◆ using a (hypothetical) table to show GDP and inflation over a number of years — making the GDP figures simple and increasing by say 10% each year (the inflation rates should fluctuate significantly): <ul style="list-style-type: none"> — discuss what happened to the standard of living in each year

UK economic activity		
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		<ul style="list-style-type: none"> — using the results to examine the difference between real and nominal GDP ◆ discussing the difference between GDP, GNP, national income ◆ introducing the concept of the multiplier: <ul style="list-style-type: none"> — discuss the meaning of the quote, ‘One person’s spending is another person’s income.’ ◆ discussing the reasons for calculating national income statistics, given that they are difficult, time-consuming and expensive to construct, and are often no more than estimates
Place of Scotland in the UK economy	<p>Candidates should be aware of:</p> <ul style="list-style-type: none"> ◆ the impact of UK economic policies on individuals, firms and government in Scotland ◆ the economic powers devolved to the Scottish Parliament (for example, the ability to: raise taxes, change legislation, make budgetary decisions, borrow, and alter welfare payments): <ul style="list-style-type: none"> — effects of devolved economic powers on the Scottish economy 	<ul style="list-style-type: none"> ◆ researching the powers devolved to the Scottish Parliament and powers that have been reserved to the UK Parliament ◆ debating the powers of the Scottish Parliament, for example, ‘This House believes that Scotland should set its own rate of income tax.’ ◆ discussing recent government policies, for example, tuition fees, free prescriptions, minimum alcohol price, and the removal of business rates relief for private schools, and the likely effects on the Scottish economy

Global economic activity		
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Understanding global trade	<p>Candidates should be aware of:</p> <ul style="list-style-type: none"> ◆ the main UK imports and UK exports ◆ recent trends in UK imports and UK exports ◆ patterns in, and reasons for, the trends ◆ the advantages and disadvantages of global trade and globalisation ◆ reasons for global specialisation, for example, absolute and comparative advantage ◆ types of trade barriers ◆ reasons for trade barriers 	<ul style="list-style-type: none"> ◆ researching different aspects of global trade, for example, the UK's main trading partners, the UK goods and services traded, how trading patterns have changed in recent years, and the impact that the USA, China and India have on world trade patterns: <ul style="list-style-type: none"> — create graphs, charts and/or presentations of findings and present them to the others ◆ investigating any recent trade activity in relation to barriers to trade and retaliation ◆ providing a list of traded commodities (for example, manufactured goods, fuels, chemicals, machinery, food, and beverages) to categorise as major imports or exports (or both) for the UK: <ul style="list-style-type: none"> — use responses as a basis for studying absolute and comparative advantage, and the advantages and disadvantages of free trade ◆ looking at trade disputes, for example, Boeing, Bombardier ◆ researching up-to-date trade disputes ◆ looking at the reasons for, and effects of, trade protection by researching, for example, President Trump's 'Make America Great Again' policies ◆ using a list of the UK's main export partners, rank them in order of importance and repeat this for the UK's import partners

Global economic activity		
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		<ul style="list-style-type: none"> — discuss which countries might have increased or decreased in importance over the last 5 to 10 years and why
Multinationals	<p>Candidates should be aware of:</p> <ul style="list-style-type: none"> ◆ reasons for a foreign multinational locating in the UK and a UK multinational locating abroad ◆ the effects on the home and host countries: <ul style="list-style-type: none"> — the impact of globalisation 	<ul style="list-style-type: none"> ◆ using a list of the top ten UK-owned multinationals, discuss possible reasons for these firms producing abroad and for foreign firms producing in the UK ◆ investigating a UK or Scottish multinational which has operations in Europe, and another which operates in a developing country, to explain their reasons for doing so ◆ discussing the effects of multinationals, by looking at recent multinational activity (for example, Google building their European HQ in London) ◆ investigating the location of a multinational in Scotland (for example, Amazon with their Scottish distribution centre outside Dunfermline): <ul style="list-style-type: none"> — calculate the jobs and wealth that have been created in Scotland — look at the reasons why the company chose Scotland as its location
Exchange rates	<p>Candidates should be aware of:</p> <ul style="list-style-type: none"> ◆ the causes of exchange rate changes ◆ the effects of exchange rate changes on individuals, firms and the UK current account 	<ul style="list-style-type: none"> ◆ explaining exchange rates ◆ discussing the likely effect of various scenarios on the UK's exchange rate and how the resultant change would affect national income, employment, prices, and imports and exports: <ul style="list-style-type: none"> — an increase in UK interest rates

Global economic activity		
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		<ul style="list-style-type: none"> — an increase in the UK inflation rate — a sustained increase in the UK's trade deficit — an International Monetary Fund (IMF) report predicting a significant increase or decrease in the UK's rate of economic growth ◆ analysing a graph showing the effective exchange rate of sterling for the last 10 years and discussing possible reasons for the trends ◆ investigating the currencies of a range of countries and analysing how the exchange rate of these countries have changed over a specific period of time ◆ drawing demand and supply diagrams to analyse exchange rate determination
Balance of payments	<p>Candidates should be aware of:</p> <ul style="list-style-type: none"> ◆ definitions and component elements of the: <ul style="list-style-type: none"> — current account — capital/financial account — balance of payments ◆ recent trends in, and reasons for, current account surpluses and deficits ◆ the impacts that changing UK imports and UK exports have on the current account ◆ methods of reducing a current account deficit (including barriers to trade) 	<ul style="list-style-type: none"> ◆ explaining the structure of the balance of payments and discussing the factors which can affect the current account balance (for example, the value of the pound, the UK's growth rate, and the UK's international competitiveness) ◆ analysing charts or graphs showing the UK's situation in goods, services, investment income and the current account over the last 5 to 10 years or so: <ul style="list-style-type: none"> — discuss the reasons for, and consequences of, the trends ◆ researching the latest figures and analysing them in terms of causes (for example, why, at a time of low growth, has the UK current balance not improved?):

Global economic activity		
Topic	Further advice and guidance about skills, knowledge and understanding	Suggested experiences and activities for candidates
		<ul style="list-style-type: none"> — discuss implications for the UK economy in terms of growth and unemployment ◆ discussing methods of reducing the UK's current account deficit and looking at which ones are likely to be the most effective for the UK, and why
Understanding the impact of global economy	<p>Candidates should be aware of:</p> <p>European Union (EU)</p> <ul style="list-style-type: none"> ◆ the main economic features of the EU (for example, Single Market, common external tariff, Eurozone, and European Central Bank) ◆ the impact of the EU on UK firms and the UK economy <p>Developing economies</p> <ul style="list-style-type: none"> ◆ the economic characteristics of developing economies ◆ the forms of assistance given to developing economies ◆ the impact of developing economies on UK firms and the UK economy <p>Emerging economies</p> <ul style="list-style-type: none"> ◆ the economic characteristics of emerging economies ◆ the impact of emerging economies on UK firms and the UK economy 	<p>European Union (EU)</p> <ul style="list-style-type: none"> ◆ researching the main economic features of the EU (for example, by accessing the official EU website, Europa): — discuss the impact of these features on the UK economy <p>Developing economies</p> <ul style="list-style-type: none"> ◆ researching economic facts about various developing countries: <ul style="list-style-type: none"> — discuss the common characteristics of their economies and also the differences ◆ choosing a developing country and suggesting what could be done to promote economic growth in that country ◆ discussing measures that rich countries could take to increase the rate of growth in developing countries and their possible effectiveness <p>Emerging economies</p> <ul style="list-style-type: none"> ◆ researching emerging economies (for example, BRIC, CIVETS and MINT):

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	<p>Global institutions</p> <ul style="list-style-type: none"> ◆ the role of global institutions: <ul style="list-style-type: none"> — World Trade Organisation (WTO), World Bank, and the International Monetary Fund (IMF) 	<ul style="list-style-type: none"> — discuss their common characteristics ◆ discussing the effect on the UK economy of continued high growth in emerging economies