

**(O Level/IGCSE) (Economics) (2281/0455)****(Unit no.3): (The individual as producer, consumer and borrower)****Recommended Prior Knowledge**

This Unit can be studied without any prior knowledge but it does build on some of the concepts covered in Units 1 and 2. The functions of financial institutions are influenced by the type of economic system, earnings are influenced by the demand and supply of labour and opportunity cost is relevant in analysing the different motives for spending, saving and borrowing. Students may already have some awareness of the causes of differences in earnings and why people choose particular occupations. They may also have some knowledge of the benefits and disadvantages of specialisation.

**Context**

This Unit links back to demand and supply and opportunity cost. It also links forward to the demand for factors of production in Unit 4, the changing patterns and levels of employment and indicators of comparative living standards in Unit 6 and the benefits and disadvantages of specialisation at regional and national levels in Unit 8.

**Outline**

The Unit starts by examining the functions of money and the need for exchange. It then follows on to consider the functions of central banks, stock exchanges and commercial banks. The focus then moves to the labour market with an analysis of an individual's choice of occupation, changes in earnings over time, differences in earnings of various groups of workers and the role of trade unions. Finally the Unit explores the different motives for spending, saving and borrowing and why different income groups have different expenditure patterns.

AO	Learning outcomes	Suggested Teaching activities	Learning resources
3a	Students should be able to describe the functions of money and the need for exchange.	You could start by asking students whether they would be prepared to sell e.g. their mobile (cell) phones for a given number of stones. When they say no, you can explore the characteristics money needs to possess and the functions of money. You could also examine why people may switch to alternative forms of money or barter during hyperinflation. There is an interesting worksheet on the bized website which asks students to determine, out of a group of items, which type of money fulfils the functions of money best. Grant considers the functions, characteristics and types of money and Moynihan and Titley also provides a brief history of money. Dransfield, Cook and King have an interesting case study on the Chinese currency, the yuan (page 45).	<b>Online</b> <a href="http://www.bized.co.uk/virtual/bank/economics/money/worksheet.htm">http://www.bized.co.uk/virtual/bank/economics/money/worksheet.htm</a> <b>Textbooks</b> Grant Unit 14 Moynihan and Titley Chapter 2 Dransfield, Cook and King pages 44-45

AO	Learning outcomes	Suggested Teaching activities	Learning resources
3b	Students should be able to describe the functions of central banks, stock exchanges, commercial banks	<p>It is useful for students to examine the functions of central banks, stock exchanges and commercial banks in a major economy and in their own economy. Banks and stock exchanges often provide free information about their activities.</p> <p>A visit to a bank or a visiting speaker from a bank can be arranged. Students could be asked to research what has happened to the share prices of particular companies, why and what may be the consequences of a fall in share prices.</p> <p>Grant has a number of activities using real world examples and MCs and Moynihan and Titley provide a range of exercises on institutions. Dransfield, Cook and King have useful activities and questions on commercial banks, stock exchanges and central banks (pages 46-51).</p>	<p><b>Online</b></p> <p><a href="http://www.bis.org/cbanks.htm">http://www.bis.org/cbanks.htm</a> (gives links for central banks sites alphabetically)</p> <p><a href="http://www.bankofengland.co.uk/">http://www.bankofengland.co.uk/</a> (details about the Bank of England, its functions and its policies)</p> <p><a href="http://www.centralbanksguide.com/">http://www.centralbanksguide.com/</a> (details about role of central banks and access to a range of central banks' websites)</p> <p><a href="http://www.sbp.org.pk">http://www.sbp.org.pk</a> (site of central bank of Pakistan: includes strategic plans and microfinance initiatives)</p> <p><a href="http://www.stockexchangesworld.com/">http://www.stockexchangesworld.com/</a> (a list of stock exchanges throughout the world and links to their websites)</p> <p><a href="http://www.bized.co.uk/virtual/ukbank/index.htm">http://www.bized.co.uk/virtual/ukbank/index.htm</a> (role of commercial banks and central banks)</p> <p><b>Textbooks</b></p> <p>Grant Units 15 and 16 Moynihan and Titley Chapter 6 Dransfield, Cook and King pages 46-51</p>

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3d	Students should be able to describe likely changes in earnings over time for an individual.	<p>Students should consider a range of factors that can cause an individual's earnings over time including changes in qualifications, skills, promotion and experience.</p> <p>They could research e.g. how much a really qualified lawyer can earn and how much a judge can earn and why there is a difference.</p> <p>You could also ask students to match cards with occupations and earnings. Newspaper articles can be a useful source of information on changes in earnings.</p> <p>Students could undertake the activities in Grant and/or Moynihan and Titley (exercise 2) in groups. Dransfield, Cook and King have an activity and a variety of questions, some of which relate to a case study concerning Jamaica (pages 54-55).</p>	<p><b>Online</b></p> <p><b>Textbooks</b> Grant Unit 19 Moynihan and Titley Chapter 10 Dransfield, Cook and King pages 54-55</p>
3e	Students should be able to describe the differences in earnings between different occupational groups (male/female; skilled/unskilled; private/public; agricultural/manufacturing/services)	<p>Having considered the factors that influence wage differentials, students could research wage differentials in their own country and another country. For instance, they could examine the differences in pay between bankers, nurses and top sports people, This could be followed by a class discussion on their findings including whether they think the differentials are likely to change in the future and whether they think they should.</p> <p>There are useful exercises in Grant and exercise 3 in Moynihan and Titley is relevant. Dransfield, Cook and King have an activity and a number of questions, some of which relate to a case study of the relative earnings of doctors and hospital porters (pages 56-59).</p>	<p><b>Online</b> <a href="http://www.tutor2u.net/economics/context/topics/labourmarket/pay_differentials.htm">http://www.tutor2u.net/economics/context/topics/labourmarket/pay_differentials.htm</a> (explains influences on wage differentials)</p> <p><b>Textbooks</b> Grant Chapter 18 Moynihan and Titley Chapter 10 Dransfield, Cook and King pages 56-59</p>

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3g	Students should be able to describe the benefits and disadvantages of specialisation for the individual.	Students might first be asked to consider the advantages and disadvantages of teachers specialising in particular subjects. The debate could then be widened into considering the advantages and disadvantages of other occupations specialising including e.g. doctors, car workers and farm workers. The concept of division of labour can then be introduced. If possible, it would be useful for students to visit a factory, farm or office where workers specialise and one where workers do not. Dransfield, Cook and King have an activity and some useful questions (pages 62-63).	<p><b>Online</b>  <a href="http://www.tutor2u.net/economics/revison-notes/as-markets-specialisation-trade.html">http://www.tutor2u.net/economics/revison-notes/as-markets-specialisation-trade.html</a>            (covers advantages and limitations of division of labour and comparative advantage)</p> <p><b>Textbooks</b>            Grant Unit 14            Moynihan and Titley pages 19 – 22            Dransfield, Cook and King pages 62-63</p>
3h	Students should be able to analyse the different motives for spending, saving and borrowing.	You could ask students in groups to discuss whether they save and borrow and, if so, why. There could then be a class discussion on the motives for saving and borrowing. Students, using an adapted version of the first website, could discuss why China's saving ratio differs from that in their own country and why they may change in the future. There are interesting activities and questions on spending, saving and borrowing in Grant, Moynihan and Titley and Dransfield, Cook and King.	<p><b>Online</b>  <a href="http://cesifo-group.de/link/vs;10_roc_Hung.2.pdf">http://cesifo-group.de/link/vs;10_roc_Hung.2.pdf</a>            (an interesting article on why China's savings ratio is high and why it may change over time – could be adapted for student use)  <a href="http://icmrindia.org/casestudies/catalogue/Business%20Reports/BREPO47.htm">http://icmrindia.org/casestudies/catalogue/Business%20Reports/BREPO47.htm</a>            (changes in spending patterns in India)  <a href="http://www.tutor2u.net/economics/revison-notes/as-macro-consumer-spending-and-saving.html">http://www.tutor2u.net/economics/revison-notes/as-macro-consumer-spending-and-saving.html</a>            (explains key influences on consumer spending and saving)</p> <p><b>Textbooks</b>            Grant Unit 21            Moynihan and Titley Chapter 11            Dransfield, Cook and King pages 64-65</p>

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3i	<p>Students should be able to discuss how and why different income groups have different expenditure patterns (spending, saving and borrowing).</p>	<p>Students need to consider not only the amounts people spend, save and borrow but also the proportion of their income <b>that</b> they spend, save and borrow and what they spend their money on, where they place their <b>savings</b> and who they borrow from.</p> <p>There are a number of topics they could research including the growth of microfinance, how young people could be encouraged to save and why some people get into unmanageable debt. Dransfield, Cook and King have some questions which relate to a case study on rising consumption in China (pages 66-67).</p> <p>To recap this Unit, students could undertake the activities in Section 3 of Grant workbook and at the end of the Section in Grant.. Dransfield, Cook and King also have questions at the end of the Unit (pages 68-70).</p>	<p><b>Online</b>  <a href="http://www.sarpa.org.za/documents/d0003023/index.php">http://www.sarpa.org.za/documents/d0003023/index.php</a>            (useful information on changes in consumer expenditure by income groups, population groups and areas in South Africa)  <a href="http://www.statistics.gov.uk/statbase/Product.asp?vink=361&amp;More=N">http://www.statistics.gov.uk/statbase/Product.asp?vink=361&amp;More=N</a>            (gives access to details of the UK Family Expenditure Survey)</p> <p><b>Textbooks</b>            Grant Unit 22            Grant Workbook Section 3            Moynihan and Titley Chapter 11            Dransfield, Cook and King pages 66-67</p>