**RWS10: Balance of Payments Crisis and Government Policy**

**Due for: First lesson – w/b 15th May 2017**

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| **GENERAL INSTRUCTIONS:**  *Please complete a revision worksheet summarizing the work from the last two weeks. The work should be taking you* ***up to 2 hours*** *to complete and should consist of a 1 A4 double paged summary based on the questions below. Please print out a double sided version to be handed in and marked on the date above (emails will not be accepted so make sure you are printing off your sheet before the lesson).*  *Remember to use all of the space over your two sides of A4 and make sure the ‘margins’ in Word are put as ‘narrow’. Feel free to reduce the size of the font if you are running out of space but nothing less than size 10. A better way to reduce would be to reread what you have written and try to be more succinct; it must fit onto two sides of A4 only!*  *You should be reading and using all the compulsory resources below (remember you will have already read an awful lot of these for homework and in class but there are a few extras I want you to read.*  *This revision worksheet should be taking you 2.5 hours…I suggest you spend 45 minutes writing up all your notes from class into a rough draft. Then, spend the next hour reading any extra information or clarifying concepts if you do not understand them. Then use the final 45 minutes to edit the work, make it look pretty and print it off.*  *REMEMBER THAT IF YOU DO NOT HAVE A PRINTER AT HOME YOU MUST FIND TIME BEFORE THE LESSON TO PRINT IT OFF AT COLLEGE*  *ALSO MAKE SURE THAT AS WELL AS STORING A COPY ON A MEMORY STICK, YOU ALSO EMAIL YOURSELF SO THERE CAN BE NO COMPUTER ISSUES WHEN IT COMES TO PRINTING OFF YOUR WORK* |
| **SOURCES**  **Compulsory**   * **Course Textbook** for the Second Year (You can download this as an ebook or read it online): pp**340-355**   + LINK 1: Click on this link - <https://www.dawsonera.com/abstract/9781471829864>   + LINK 2: If the link above does not work, goto the ILC page on GOL OR click on <https://online.godalming.ac.uk/course/view.php?id=37> . Click on DAWSONERA box and accept terms and conditions. Write “AQA A-level Economics Book 2 Powell” into the search engine. * **NOTES:** Class and PREP homework notes (in your bag!) including department worksheets (available on GOL). Remember to include the PREP work from Easter as well. * **Powerpoint:** See the powerpoint slides on GOL for access to my notes. * **Worksheets**   + Balance of Payments Overview   + BoP Crisis   **EXTENSION (IF YOU HAVE TIME, TRY TO READ OR WATCH THESE)**   1. Economics Help Website 2. Tutor2U Website 3. Articles on GOL    1. Telegraph – Sterling and Balance of Payments    2. FDI into UK   **ALL OF THESE RESOURCES CAN BE FOUND ON GODALMING ONLINE – ANY ISSUES, EMAIL OLLY on** [**ods@godalming.ac.uk**](mailto:ods@godalming.ac.uk) |

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| **SPECIFIC INSTRUCTIONS:**  **TITLE: RWS10 – Balance of Payments Crisis and Government Policy**  **Balance of Payments Introduction (1/2 side of A4)**   1. Quick overview of the different accounts (1) Current Account (2) Financial Account (3) Other (consisting of Capital Account, Foreign Reserves) 2. If the balance of payments is supposed to equal zero (and therefore be in equilibrium), what can it mean when the balance of payments is in ‘disequilibrium’? 3. If the current account is in deficit, what effect can this have on the macroeconomy (so domestic indicators like economic growth, unemployment and price levels)? 4. If the current account is in surplus, what effect can this have on the macroeconomy?   **Balance of Payments Crisis (1 side of A4)**   1. What is a balance of payments crisis? Use a real life example to illustrate your answer. 2. How might exchange rates prevent a long run BoP deficit from occurring? (provide a full analysis; more than just ‘exchange rate would depreciate’) 3. Why might exchange rates NOT prevent a long run BoP deficit from occurring? 4. Why might developing countries be particularly vulnerable to a BoP deficit? 5. Why have countries like the UK and USA who have had persistent deficits for around thirty years not had balance of payments crisis’? 6. Why might Greece facing a painful adjustment to it’s current account deficit as it is part of the Euro? 7. Countries like Greece are unable to devalue their currency as they are part of a fixed exchange rate system in that they have the Euro. How have countries like Greece been forced to reduce their balance of payments deficit instead (think ‘Austerity’) and why has this caused problems in the country??   **Balance of Payments and Government Policy (1/2 side of A4)**   1. Evaluate whether the UK will suffer a Balance of Payments Crisis in the next five years? Remember to put both arguments for and against with a conclusion – a table might be a suitable way to present this? 2. How could the UK Government control the Balance of Payments and prevent a crisis? For each possible action, explain why there might be a problem with this approach. |