

GCE AS

WJEC Eduqas GCE AS in ECONOMICS

ACCREDITED BY OFQUAL

TEACHER HANDBOOK

Teaching from 2015



INTRODUCTION

The **WJEC Eduqas AS in Economics** qualification, accredited by Ofqual for first teaching from September 2015, is available to:

- all schools and colleges in England
- schools and colleges in independent regions such as Northern Ireland, Isle of Man and the Channel Islands
- independent schools in Wales.

It will be awarded for the first time in summer 2016, using grades A - E.

The specification offers a contemporary, principles-based approach to the subject, encouraging learners to develop tools to apply to a wide range of real-world situations, rather than rely heavily on fact-based approaches.

The structure of the content is broadly similar to the previous WJEC specification, in that it is linear, it is set out in two main areas of content, namely

Microeconomics, and **Macroeconomics**.

Content will be assessed across two different components –**Introduction to Economic Principles** and **Exploring Economic Issues**.

The focus for each component is the nature of assessment and not the content. This approach supports a holistic and synoptic understanding of economic concepts and theories, and allows learners to acquire a critical and thoughtful approach to the study of economics, understanding economic behaviour from a range of perspectives and contexts.

The structure allows learners to provide extended responses and demonstrate their ability to draw together different areas of knowledge and understanding from across the full course of study.

Additional ways that WJEC can offer support:

- Specimen assessment materials
- Face-to-face CPD events
- Examiners' reports on each question paper
- Free access to past question papers and mark schemes via the secure website
- Direct access to the subject officer
- Free online resources
- Exam Results Analysis
- Online Examination Review

AIMS OF THE TEACHERS' GUIDE

The principal aim of the Teachers' Guide is to offer support to teachers in delivery of the new **WJEC Eduqas AS in Economics** specification and guidance as to the requirements of the qualification and the assessment process.

The guide is **not intended as a comprehensive reference**, but as support for professional teachers to develop stimulating and exciting courses tailored to the needs and skills of their own learners in their particular institutions.

The guide offers assistance to teachers with regards to possible classroom activities and links to digital resources (both our own, freely available, digital materials and external sources) that will be of use and provide ideas for immersive and engaging lessons.

The guide will concentrate on those areas new to WJEC subject specifications and those subject areas where guidance has been requested most.

DELIVERING THE SPECIFICATION: OVERVIEW

Background

The specification has been designed to provide a compact discussion of the key themes in economics. Throughout, the desire has been to provide tools which will allow the analysis of real-world economic issues and events. When deciding what to include and what to leave out, the tiebreaker was always whether a concept would enhance the understanding of the way the world works and the way policy decisions are taken, because it is this desire to explain economic phenomena that lies at the heart of this specification.

As part of the design, there are two clear target audiences that are catered for – one intending to take economics further at university (the ‘specialists’) and one which is picking economics up out of a general interest in the way the world works (the ‘generalists’). The interests of both these groups are at the heart of the design of this specification.

The generalists will find that obscure topics which have little bearing on the real world have for the most part been omitted, except where their presence has been required by the common core. There is a rigorous examination of economic theory, because only through understanding such theories can they be effectively applied to enhance understanding of economic events. Likewise, only if there is a strong understanding of theory can these theories be effectively criticised. This interplay between economic theory, economic policy and economic events is the central theme behind the specification.

Specialists will find that the compact nature of the specification allows greater depth of discussion and analysis, which will allow the key principles and ground rules of the subject to be embedded before they go on to higher level study.

Approach

The specification treats economics as a living subject, therefore it will be important that learners have as many opportunities to interact with economic data and scenarios as possible. An approach which treats economics as a theoretical ivory tower will not prepare learners well for the type of questions that the specification is designed to ask, which are focused on

how well that theory can be used to explain actual economic events and policy decisions.

The greater emphasis that all AS specifications now place on mathematical skills will also mean that learners should routinely be processing, analysing, explaining and discussing the significance of the economic data that emerges on a daily basis on economies around the world.

Whilst the specification is a UK one, the questions asked will not be purely UK-centric. Issues cannot always be explored fully using a UK context, meaning that an approach which looks at problems in economies from across the globe, whether developed or developing, is likely to best prepare learners for the requirements of the specification.

USEFUL INTERACTIVE RESOURCES

[Eduqas Resources > Economics](#)

[Eduqas > AS Economics > Specification from 2015](#)

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DELIVERING THE SPECIFICATION: DETAILS

Structure of the AS

The AS in Economics has two papers, neither of which are content specific. The reason for this is to allow the subject to be treated as a whole and to allow the linkages between macroeconomics and microeconomics to be explored; again this is linked to the idea of economics as a subject which aims to explore real-world issues, many of which have micro and macro dimensions in reality.

The two papers also aim to test the full range of academic skills and are designed to allow the maximum possible exposure to practical economic situations.

Paper 1 (1 hour, 60 marks)

Paper 1 combines short answer and structured questions for rigorous testing of underlying economic theory and quantitative skills. The style of questions used allows the testing of these skills in a series of applied contexts. Between the two, this paper assesses whether learners have a strong understanding of economic theory and an ability to use it to analyse economic problems.

Paper 2 (2 hours, 80 marks)

Paper 2 involves two compulsory data response cases. These will be drawn from anywhere within the specification and are looking to test learners' ability to apply what they have learned to more complex economic situations than is possible through the short answer section. Learners will also have to write at greater length and evaluative skills will be at a premium – the ability to debate a case in context and come to a well-judged conclusion is a key skill within this paper.

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ASSESSMENT STRATEGY: KEY EXAMINATION COMMAND WORDS (1 OF 2)

ASSESSMENT OBJECTIVES AND THEIR RELATED COMMAND WORDS			
Assessment Objective	Description	Command words	Example questions
AO1	Demonstrate knowledge of terms/concepts and theories/models to show an understanding of the behaviour of economic agents and how they are affected by and respond to economic issues.	State Define Identify Name Label Suggest Describe Outline Summarise Comment What is meant	Outline two factors that might have caused consumption to rise in late 2013. [4] Comment on the income elasticity of demand for air travel. [2] Define opportunity cost [2] With the aid of an appropriate diagram, explain how Sea France's profits had turned to losses. [4]
AO2	Apply knowledge and understanding to various economic contexts to show how economic agents are affected by and respond to economic issues.	Apply/Use Demonstrate Calculate Illustrate Select Show Adapt With reference to	Use the data to calculate annual economic growth in 2013 and 2014. [2] Using examples from the data explain the meaning of government failure and external costs. [4] With reference to the data and using supply and demand diagrams explain why: The prices of grains such as rice, corn and wheat are lower than they were in 1950. [4]

ASSESSMENT STRATEGY: KEY EXAMINATION COMMAND WORDS (2 OF 2)

ASSESSMENT OBJECTIVES AND THEIR RELATED COMMAND WORDS				
Assessment Objective		Description	Command words	Example questions
AO3		Analyse issues within economics, showing an understanding of their impact on economic agents.	Analyse Compare/Contrast Explain Develop Distinguish	Explain measures a country could introduce to reduce its current account deficit. [10]
				Using examples, distinguish between public goods, merit goods and demerit goods. [8] Why might the government want to reduce CO ₂ emissions from aviation? [4]
AO4		Evaluate economic arguments and use qualitative and quantitative evidence to support informed judgements relating to economic issues.	Discuss Assess Decide Recommend Conclude Evaluate Argue Justify Consider To what extent Do you agree	Assess the pricing and non-pricing strategies cross channel operators might use to increase their profits. [12]
				Discuss whether an increase in tariffs by the EU is likely to be good for EU economies. [10] How far do you agree with the view that Air Passenger Duty is the best way to reduce the external costs arising from air travel? [10] Evaluate strategies which may be used by the government to improve the competitiveness of UK businesses. [20] Discuss whether an increase in tariffs by the EU is likely to be good for EU economies. [10]

KEY ASPECTS OF THE SPECIFICATION FROM 2015

MICROECONOMICS	
AREA OF STUDY	DESCRIPTION
Scarcity and Choice:	<p>Learners should understand the concepts of scarcity, choice and opportunity cost and how economies have to decide what, how and for whom to produce. These concepts should be fully analysed using production possibility frontiers.</p> <p>The distinction between economic goods and free goods should also be understood.</p>
Demand and Supply: Determining Price Price Determination in Product Markets	<p>Knowledge of the importance of marginal utility in the derivation of demand curves is now required (although not equi-marginal returns). This builds upon the existing requirement of learners having an intuitive understanding of the substitution and the income effects of a price change (although not via indifference analysis).</p> <p>Learners should also understand the importance of marginal cost in the derivation of the supply curve.</p> <p>Learners need to apply the concept of elasticity to economic contexts – for example, in the incidence of taxation and the incidence of subsidies.</p>
Resource Allocation:	<p>Learners should be aware of the main assumptions upon which free markets operate, such as a large number of buyers and sellers and perfect information.</p> <p>The emphasis is on understanding how supply and demand in a free market allocate resources and how in theory they can do so optimally. This will include an understanding of how perfectly competitive markets operate within the context of the free market economy and an understanding that free markets can only operate efficiently if perfectly competitive markets prevail.</p> <p>Learners should also understand that economic agents do not always behave rationally.</p>
Labour Markets:	<p>Learners are expected to know the determinants of the elasticity of demand and supply in labour markets and the factors which affect the flexibility of labour markets such as trade union power, regulation, welfare payments and income tax rates.</p> <p>Learners should understand the links between issues in the labour market and the supply side of the economy.</p> <p>Learners should understand the causes and implications of wage differentials and explain the impact of migration on labour markets.</p> <p>Knowledge of marginal revenue product theory is not required but a diagrammatic approach to labour market issues is required.</p>
Quantitative Skills:	<p>In addition to elasticities, quantitative skills could be tested by calculating the value of both the consumer and producer surplus or from other areas of the specification where appropriate.</p>

Market Failure:

Asymmetries

Learners should be able to explain a range of market failures, with an emphasis on why and in what way the market has failed, the consequences of this failure and a discussion of the relative merits of policies governments might implement to attempt to correct these failures.

COMPONENT: MICROECONOMICS

EXAM LEVEL: AS

AREA OF STUDY

Determining Price in Product Markets

Key Points:

- Need to introduce learners to the concepts of demand and supply, and their effect on price in the market

Provides an opportunity to develop the following skills:

Speaking, listening and understanding; Reading; Writing; Understanding numerical data;

Carrying out calculations; Interpreting results; Presenting findings; Using ICT systems;

Finding, selecting and exchanging information; Improving own learning and performance;

Developing and presenting information using ICT; Working with others – plan do and review.

INSPIRATION FOR TEACHING

Example

Activity Name : Pricing Cars



- Provide learners with photos of two cars, one very expensive (£50,000+) and one relatively inexpensive (around £9,000).
- Ask learners to determine the factors which may contribute to high-priced and low-priced vehicles.
- Check the learners' answers and help them to identify whether the determined factors are supply-side or demand-side concerns e.g. the cost of manufacture and level of technology used in the vehicle are supply-side, but the income of the buyers is a demand factor.

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COMPONENT: MICROECONOMICS

EXAM LEVEL: AS

AREA OF STUDY

Price Equilibrium in Product Markets

Key Points:

- Learners are required to manipulate a demand/supply diagram for a product when *ceteris paribus* doesn't hold

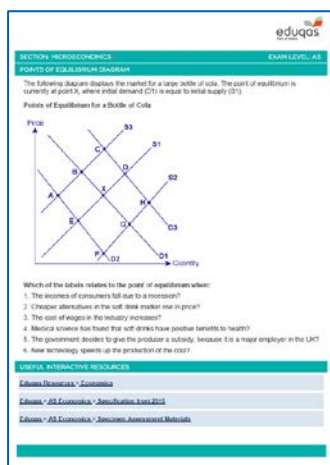
Provides an opportunity to develop the following skills:

Speaking, listening and understanding; Interpreting results; Finding, selecting and exchanging information; Improving own learning and performance;

INSPIRATION FOR TEACHING

Example

Activity Name : Determining Points of Equilibria following Changes in Demand/Supply



- Select the image (left)** for an example diagram displaying the points of equilibria for a large bottle of a cola drink.
- Provide the learners with copies of this diagram or a similar diagram of your own choosing, this could be in the form of handouts or displaying the diagram on the whiteboard.
- In the example diagram provided, the market for the cola is shown to be at equilibrium at point X, where initial demand (D1) is equal to initial supply (S1).
- The additional points, labelled A–H, relate to changes in the market for the cola. Ask the learners to determine which of the new equilibria would represent certain changes in demand/supply (there are a number of example changes provided below the diagram).

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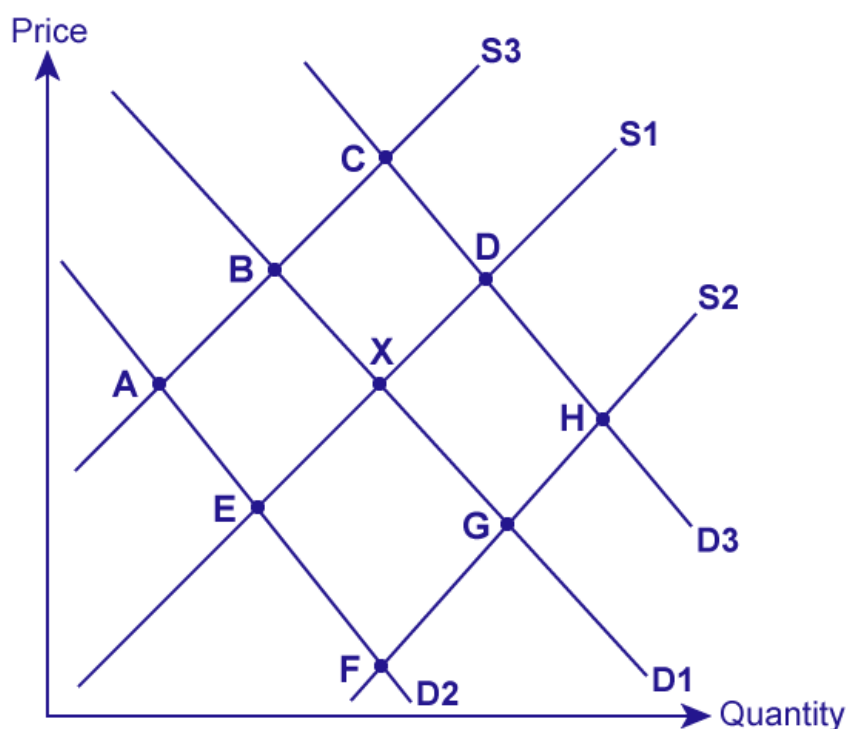
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POINTS OF EQUILIBRIUM DIAGRAM

The following diagram displays the market for a large bottle of cola. The point of equilibrium is currently at point X, where initial demand (D1) is equal to initial supply (S1).

Points of Equilibrium for a Bottle of Cola



Which of the labels relates to the point of equilibrium when:

1. The incomes of consumers fall due to a recession?
2. Cheaper alternatives in the soft drink market rise in price?
3. The cost of wages in the industry increases?
4. Medical science has found that soft drinks have positive benefits to health?
5. The government decides to give the producer a subsidy, because it is a major employer in the UK?
6. New technology speeds up the production of the cola?

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COMPONENT: MICROECONOMICS

EXAM LEVEL: AS

AREA OF STUDY

Asymmetries

Key Points:

- Learners should understand the definition of asymmetric information and why it can lead to market failure

Provides an opportunity to develop the following skills:

Speaking, Listening and understanding; Reading; Working with others – plan do and review.

INSPIRATION FOR TEACHING

Example

Activity Name : How Much for My Car?



- Before you have said anything about asymmetric information, have a picture of a car on the board as learners walk into the room. For example a picture of a guy with a 'For Sale' sign leaning next to his car. This should pique the learners' interest and they should start asking questions about the car.
- As the class begins to pose questions, the teacher can either respond with all-out lies or adopt an evasive approach to try and avoid the questions. Either way, write the information on the board for all to see.
- Based on the information given, ask learners to individually value the car (i.e. what they would be willing and able to pay for it, if they were in the market for a second hand car). Identify who 'bid' the most and proclaim him/her as the buyer.
- Reveal that the car has almost no value. It is a 'lemon'. Use this as the launch point for the discussion on asymmetric information.

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KEY ASPECTS OF THE SPECIFICATION FROM 2015

MACROECONOMICS	
AREA OF STUDY	DESCRIPTION
General: <u>Links between Income and Consumption</u>	<p>Learners should have an awareness of major economic issues that have taken place since 1990 to the present day.</p> <p>Learners will not be required to calculate the multiplier nor have knowledge of the Keynesian consumption function, the marginal efficiency of capital nor the accelerator.</p> <p>In relation to national income and wages learners should understand the difference between nominal and real.</p>
Circular Flow of Income:	Learners should understand the importance of the circular flow model when explaining the multiplier (although calculations of the multiplier itself are not required).
Aggregate Demand Supply Functions:	<p>Learners are expected to be able to explain at least one factor which causes the aggregate demand curve to slope down to the right.</p> <p>Learners should understand the shape of the Keynesian long-run aggregate supply curve.</p>
Fiscal Policy:	Learners should be able to explain how Keynesian economists believe that fiscal policy can be used to control aggregate demand in the economy.
Monetary Policy: <u>Interest rates</u>	<p>Learners should understand the role of the Bank of England in creating monetary and financial stability.</p> <p>Learners need to have a good understanding of how interest rates are used by central banks to control inflation and other key macro policy objectives. In particular, an understanding both of the reasons central banks might change interest rates and the impact of such changes (and the timescale over which they are likely to occur) is important.</p>
Supply-side Policies:	<p>Learners should understand the importance of the long-term structural changes that supply-side policies can bring about, and be able to illustrate the impact on the key policy objectives using AD/AS analysis.</p> <p>Learners should be able to explain and evaluate examples of specific supply-side policies.</p>
Exchange Rates and Policy:	Learners should understand the advantages and disadvantages of policies which hold exchange rates artificially above or below their free market values.
Quantitative Skills:	Learners should be able to calculate index numbers in the context of inflation and in other areas of the specification where appropriate.

COMPONENT: MACROECONOMICS

EXAM LEVEL: AS

AREA OF STUDY

Links Between Income and Consumption

Key Points:

- Looks at how income and consumption are related
- Provides opportunities to look at extension concepts such as autonomous and induced consumption and marginal and average propensities to consume

Provides an opportunity to develop the following skills:

Speaking, listening and understanding; Reading; **Writing**; Understanding numerical data; Carrying out calculations; Interpreting results; Presenting findings; **Using ICT systems**; Finding, selecting and exchanging information; Improving own learning and performance; Developing and presenting information using ICT; Working with others – plan do and review.

INSPIRATION FOR TEACHING

Example

Activity Name : What Will You Buy at the Fair?



SECTION: MACROECONOMICS
WHAT WILL YOU BUY AT THE FAIR? EXAM LEVEL: AS

Use below for a detailed price list for each item:

Items	Price	Games	Price	Food	Price	Drinks	Price
Roller coaster	£2	Cocacola shy	£1	Hot dog	£2	Soft drink	50p
Ghost train	£2	Basketball	£2	Burger	£2	Milkshake	£2
Log flume	£2	Hook a duck	£1	Kebab	£5	Water	Free
Spinning top	£2	Tomato	£1	Chips	50p	Beer	£3.50
Bagpipe jump	£1	Alcove	£2	Pizza	£3	Tea/coffee	50p
Dodgems	£1.50	Air hockey	£1	Ice cream	£1		
Carousel	50p	Boatrace wheel	£5	Candy floss	£2		

USEFUL INTERACTIVE RESOURCES

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[Economics > AS Economics > Specimen Assessment Materials](#)

- Provide learners with a picture of a fairground and a list of things 'they can buy at the fair', **select the image (left) for example materials**, tell them that they have £2 and should decide what they spend their money on at the fair. Tell learners that they visit a second time and now they have £5 to spend (they do not carry forward any money from the previous visit), on a third visit they receive £10, fourth £20, fifth £50 and on a final visit £100. At some stage learners should ask if they can save any of their money and they should be allowed to do so.
- Discuss the results with the class, you should find that once the allowance rises past £10 learners begin to save a percentage of their allowance. The greatest amount saved should be when they have a £100 allowance. Ask learners to sketch a relationship between income and consumption on a graph.
- Stretch activity:** ask learners whether they believe the line they draw should go through the origin. This should lead to a discussion on autonomous consumption.

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SECTION: MACROECONOMICS

EXAM LEVEL: AS

WHAT WILL YOU BUY AT THE FAIR?

See below for a detailed price list for each item.



Rides	Price	Games	Price	Food	Price	Drinks	Price
Roller coaster	£2	Coconut shy	£1	Hot dog	£2	Soft drink	50p
Ghost train	£2	Basketball	£2	Burger	£2	Milkshake	£2
Log flume	£2	Hook a duck	£1	Kebab	£5	Water	free
Spinning tea cups	£2	Tombola	£1	Chips	50p	Beer	£3.50
Bungee jump	£5	Arcade	£2	Pizza	£5	Tea/coffee	50p
Dodgems	£1.50	Air hockey	£1	Ice cream	£1		
Carousel	50p	Roulette wheel	£5	Candy floss	£2		

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COMPONENT: MACROECONOMICS

EXAM LEVEL: AS

AREA OF STUDY

Monetary Policy – Interest Rates

Key Points:

- Learners should understand the basic business model of a bank
- Learners should be able to determine the current levels of interest rates

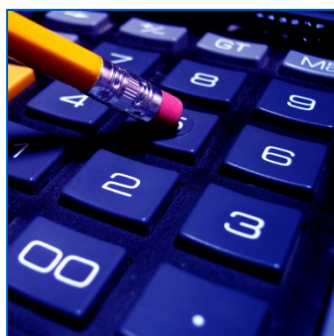
Provides an opportunity to develop the following skills:

Speaking, Listening and understanding; Reading; Writing; Understanding numerical data; Carrying out calculations; Interpreting results; Presenting findings; Using ICT systems; Finding, selecting and exchanging information; Improving own learning and performance; Developing and presenting information using ICT; Working with others – plan do and review.

INSPIRATION FOR TEACHING

Example

Activity Name : Finding and Comparing Interest Rates



- Ask learners to visit the websites of a number of different national high-street banks and lenders in order to determine the current interest rates being offered on current accounts, credit cards and loans.
- Ask learners to also consider the interest rates for short-term loans from national internet-based companies for comparison.
- Learners should be selected at random to present the basic business models behind these banks and short-term loan lenders (i.e. how they make a profit). A simple example may be that "the interest paid on deposits is less than the interest received from loans".
- **Stretch activity:** learners should be challenged to consider why high street banks are likely to follow the Bank of England base rate of interest, this should lead nicely to a discussion on the transmission mechanism.

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KEY TERMS AND THEIR DEFINITIONS

DEFINITIONS OF USEFUL TERMS (1 OF 2)	
TERM	DESCRIPTION
Utility	<p>Utility measures satisfaction enjoyed by a consumer when a product or service is purchased.</p> <p>Marginal utility measures the extra satisfaction gained by the consumer when one extra unit is purchased. The marginal utility tends to decrease as consumption of a product increases.</p>
Diminishing marginal utility	<p>For most products the demand curve slopes down from left to right, an inverse relationship between price and quantity demanded. As the quantity consumed increases the marginal utility falls.</p> <p>If marginal utility is expressed in a monetary form the rational consumer would be prepared to pay less for each extra unit because their need has already been partly met. Thus, as the marginal utility falls then the price the consumer is prepared to pay for the product also falls which explains the slope of the demand curve.</p>
Income effect	<p>If it is assumed that money income is fixed, the income effect of a price fall of a product suggests that real income rises when prices fall – money income will now be able to buy more in total and consumers increase their quantity demanded. This is because consumers can buy more of the product with the same money income, assuming that the product is a normal good. The reverse would occur if the product rose in price.</p>
Substitution effect	<p>If the price of a product falls then it becomes cheaper relative to substitutes and thus the quantity demanded increases. The reverse would occur if there were a rise in price.</p>

KEY TERMS AND THEIR DEFINITIONS

DEFINITIONS OF USEFUL TERMS (2 OF 2)

TERM	DESCRIPTION
The aggregate demand curve	<p>The aggregate demand curve slopes down from left to right. In the diagram below as the price level falls from P1 to P2 real GDP increases. This is a movement along the aggregate demand curve as opposed to a shift in its position which may be caused by a rise in government spending or a cut in income tax rates.</p> <p>To understand why the aggregate demand curve slopes downwards it is important to examine the effects of a fall in the price level on key components of aggregate demand – consumption, investment and net exports.</p> <p>Firstly there is the real balance (or wealth) effect which relates to how a fall in the price level increases the real value of money balances giving consumers a higher purchasing power. This will encourage consumers to spend more increasing aggregate demand and real GDP. Secondly there is the interest rate effect which relates to consumers and firms. If there is a fall in the price level consumers need to hold less money to buy the goods and services they want. As consumers increasingly become savers this increases the supply of loanable funds reducing interest rates. Lower interest rates encourage firms to borrow more to invest in new buildings and machinery. Investment is a component of aggregate demand and real GDP increases. The trade (or exchange rate) effect links the price level, the interest rate and the exchange rate. A fall in the price level results in a fall in the interest rate which will lead to a fall (depreciation) in the exchange rate. A fall in the exchange rate will make exports cheaper and imports more expensive. As a result exports rise and imports fall leading to an increase in net exports. Net exports are a component of aggregate demand and thus real GDP increases. It is important to remember that the aggregate demand curve is drawn assuming all other things remain equal, and significantly for the three explanations above it is assumed that the money supply is fixed.</p> 