

Circular Flow

One way of starting this is to use the first part of the AS derivation game that is described later in the resources (Macro section 5). This video will also help reinforce the idea:

<https://www.youtube.com/watch?v=mN5HPJYJzus>

Tutor2u also has an animated step by step circular flow that might be useful in the early stages:

<http://beta.tutor2u.net/economics/blog/revision-presentation-building-the-circular-flow-of-income-spending>

Circular Flow and equilibrium

Once the circular flow has been explained at a basic level, it is important to link back to the idea of equilibrium from micro (a situation with no tendency to change). It should then be possible to discuss the idea that just because the economy is stable, this doesn't mean that it is doing well. If you have used the beer-onomics exercise, then you could relate back to the 'glass half empty' example from there.

At this stage, a good question is what they think a government ought to do about this – a paired or small group discussion generally works well here and is likely to lead to a wide range of possible ideas, ranging from Keynesian stimulus to do nothing at all. This discussion can be supported in a variety of ways. Most obviously looking at the Great Depression or Recession can show the impact of government intervention:

Great Depression:

Short New Deal clip with stirring music:

<https://www.youtube.com/watch?v=h5Pls1Xc3bw>

Longer promotional video of New Deal initiatives:

https://www.youtube.com/watch?v=wF80co_Y_Bc

Great Recession:

Greece:

<http://www.bbc.co.uk/news/world-europe-17225278>

These clips should help set up work on the multiplier.