

## 1.1 Introductory concepts

### 1.1.1 Nature of economics

Can you explain why economics is a social science that cannot carry out controlled experiments?



Can you explain why economists build models based on assumptions?



Can you explain the use of the ceteris paribus assumption in economic models?



### 1.1.2 Positive and normative economics

Can you distinguish between positive statements and normative statements (value judgements)?



Can you explain how value judgements influence economic decision making and policy?



### 1.1.3 Scarcity

Can you explain the problem of scarcity in terms of unlimited wants and finite resources?



Can you distinguish between renewable and non-renewable resources?



Can you explain the link between scarcity, choice and opportunity cost?



Can you distinguish between free goods and economic goods?



### 1.1.4 Production possibility frontiers

Can you use a PPF to show maximum productive potential, efficient and inefficient allocation of resources, and possible and unobtainable output?



Can you use a PPF to show opportunity cost, using marginal analysis?



Can you use a PPF to show economic growth or decline?



Can you distinguish between a movement along a PPF and a shift of a PPF, and explain the causes of each?



Can you distinguish between capital goods and consumer goods?



Can you explain the role of capital goods in raising productivity and economic growth?



### 1.1.5 Specialisation, money and financial markets

Can you evaluate the advantages and disadvantages of specialisation and the division of labour, including Adam Smith's views?



Can you explain the functions of money: medium of exchange, measure of value, store of value and method of deferred payment?



Can you explain the roles of financial markets in facilitating saving, lending to businesses and individuals, and the exchange of goods and services?



Can you explain the roles of forward markets in commodities and currencies and of the market for equities?



### 1.1.6 Free market, mixed and command economies

Can you distinguish between free market, mixed and command economies?



Can you evaluate the advantages and disadvantages of free market and command economies?



Can you explain the role of the state in a mixed economy?



## 1.2 Consumer behaviour and demand

### 1.2.1 Rational decision making

Can you explain the assumption of rationality, with consumers aiming to maximise utility and firms aiming to maximise profit?



Can you explain why consumers may not maximise utility, including herding behaviour, habitual behaviour, inertia, weak computational skills, the need to feel valued, and framing and bias?



### 1.2.2 The demand curve

Can you explain the concept of demand?



Can you distinguish between a movement along a demand curve and a shift of the demand curve?



Can you use diminishing marginal utility to explain the shape of an individual's demand curve?



Can you explain how the demand curve shifts due to changes in the prices of substitutes and complements, real income, tastes and preferences, population size and age distribution, and advertising?



### 1.2.3 Price, income and cross elasticities of demand

Can you explain the concepts of price, income and cross elasticity of demand?



Can you use the formulae to calculate PED, YED and XED?



Can you interpret numerical values of PED as perfectly elastic, elastic, unitary, inelastic or perfectly inelastic?



Can you explain the factors influencing PED: substitutes, branding, proportion of income spent, addictiveness and durability?



Can you calculate total revenue?



Can you explain how PED varies along a straight-line demand curve?



Can you explain the relationship between PED and total revenue?



Can you interpret numerical values of YED and use them to distinguish normal goods from inferior goods?



Can you interpret numerical values of XED for substitutes, complements and unrelated goods?



Can you explain the significance of PED, YED and XED for firms, consumers and the government?



## 1.3 Supply

### 1.3.1 The supply curve

Can you explain the concept of supply?



Can you distinguish between a movement along a supply curve and a shift of the supply curve?



Can you explain how the supply curve shifts due to changes in costs of production, new technology, indirect taxes (specific and ad valorem), subsidies and natural disasters?



### 1.3.2 Price elasticity of supply

Can you explain the concept of price elasticity of supply?



Can you calculate PES and interpret its value as perfectly elastic, elastic, unitary, inelastic or perfectly inelastic?



Can you explain the factors influencing PES: time period, stocks and perishability, factor mobility, legal constraints and spare capacity?



Can you distinguish between the short run and the long run and explain their significance for PES?



## 1.4 Price determination

### 1.4.1 Market equilibrium

Can you explain and draw equilibrium price and quantity?



Can you analyse the effects of shifts in demand and supply on equilibrium price and quantity?



Can you explain how market forces eliminate excess demand and excess supply?



### 1.4.2 Consumer and producer surplus

Can you distinguish between consumer surplus and producer surplus and show them on a diagram?



Can you analyse how changes in demand and supply affect consumer and producer surplus?



### 1.4.3 Functions of the price mechanism

Can you explain the rationing, incentive and signalling functions of the price mechanism?



Can you apply the functions of the price mechanism to local, national and global markets?



### 1.4.4 Indirect taxes and subsidies

Can you analyse the impact of an indirect tax on consumers, producers and the government?



Can you calculate and show the incidence of an indirect tax on consumers and producers?



Can you analyse the impact of a subsidy on consumers, producers and the government?



Can you calculate and show the incidence of a subsidy for consumers and producers?



## 1.5 Market failure

### 1.5.1 Sources of market failure

Can you explain market failure as the over-provision or under-provision of output relative to the socially optimal level?



Can you identify the sources of market failure: externalities, public goods and free-riding, imperfect information, moral hazard, and speculation and market bubbles?



### 1.5.2 Positive and negative externalities

Can you distinguish between private benefits, external benefits and social benefits?



Can you distinguish between private costs, external costs and social costs?



Can you explain external benefits and external costs of both production and consumption?



Can you draw marginal analysis diagrams showing external benefits from consumption and external costs from production, identifying the market and social optimum and the welfare loss or gain?



Can you analyse the impact of externalities in transport, health, education, the environment and financial contexts?



### 1.5.3 Non-provision of public goods

Can you distinguish between private goods (rival and excludable) and public goods (non-rival and non-excludable)?



Can you explain why the private sector may fail to provide public goods, with reference to the free-rider problem?



### 1.5.4 Imperfect market information

Can you distinguish between symmetric and asymmetric information?



Can you explain the significance of information gaps for market outcomes?



Can you explain how imperfect information leads to a misallocation of resources in healthcare, education, pensions and insurance?



### 1.5.5 Moral hazard

Can you explain how moral hazard arises?



Can you analyse the impact of moral hazard on consumers, producers, workers and governments in insurance and banking?



### 1.5.6 Speculation and market bubbles

Can you explain how speculation can lead to market bubbles?



Can you analyse the impact of market bubbles on consumers, producers, workers and governments in housing and stock markets?



## 1.6

## Government intervention in markets

### 1.6.1 Purpose and methods of government intervention

Can you explain the purpose of government intervention, including correcting market failure?



Can you analyse the use of indirect taxes and subsidies to correct market failure?



Can you analyse the use of maximum and minimum prices?



Can you analyse the use of tradable pollution permits and the extension of property rights?



Can you analyse state provision, regulation and the provision of information as methods of intervention?



Can you evaluate government intervention in health, housing, education, transport, the environment, energy, agriculture and commodity markets?



### 1.6.2 Government failure

Can you explain government failure as intervention that results in a net welfare loss?



Can you explain the causes of government failure: information gaps, lack of incentives, unintended consequences, excessive administrative costs and moral hazard?



**2.1.1 Economic growth**

|                                                                                                                                 |                       |                       |                       |
|---------------------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|
| Can you explain the rate of change of real GDP as a measure of economic growth and living standards?                            | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain GNI as an alternative measure of national income?                                                               | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you distinguish between real and nominal, total and per capita, and value and volume measures?                              | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you compare growth rates between countries and over time?                                                                   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain the use of purchasing power parities (PPPs) for international comparisons of real GDP and GNI?                  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you distinguish between positive and negative growth rates?                                                                 | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you define a recession as two consecutive quarters of negative economic growth?                                             | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you evaluate the limitations of GDP and GNI for comparing living standards?                                                 | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain measures of national happiness and wellbeing and the relationship between real income and subjective happiness? | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

**2.1.2 Inflation**

|                                                                                                                                                                                |                       |                       |                       |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|
| Can you distinguish between inflation, deflation and disinflation?                                                                                                             | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you calculate inflation using a consumer price index (CPI) based on a weighted basket of goods and services?                                                               | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain the limitations of the CPI as a measure of inflation?                                                                                                          | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain the producer (wholesale) price index as an indicator of future inflation?                                                                                      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain the causes of inflation: demand-pull, cost-push and excessive growth of the money supply?                                                                      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain the causes of deflation: a fall in AD, an increase in AS and a fall in the money supply?                                                                       | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you analyse the effects of inflation and deflation on consumers, the government, firms, workers, income distribution, investment, competitiveness and the current account? | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

**2.1.3 Employment and unemployment**

|                                                                                                                              |                       |                       |                       |
|------------------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|
| Can you explain how unemployment is measured using the ILO definition?                                                       | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain the causes of unemployment: frictional, seasonal, structural, demand deficiency and real wage inflexibility? | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

Can you analyse the effects of unemployment on consumers, firms, workers, public finances, resource use (including the PPF) and society?



Can you distinguish between unemployment and underemployment?



Can you explain the significance of changes in employment, unemployment and economic inactivity rates?



Can you explain the significance of net migration for employment and unemployment?



### 2.1.4 Balance of payments

Can you identify the components of the balance of payments, with particular reference to the current account?



Can you explain deficits and surpluses on the trade in goods and services?



Can you distinguish between a current account deficit and a current account surplus?



## 2.2 Aggregate demand

### 2.2.1 Characteristics of AD

Can you explain the concept of aggregate demand?



Can you state the components of AD,  $C + I + G + (X - M)$ , and draw the AD curve?



Can you distinguish between a movement along the AD curve and a shift of the AD curve?



### 2.2.2 Consumption (C)

Can you explain the influences on consumption: disposable income, interest rates, consumer confidence, welfare payments, wealth effects and availability of credit?



Can you explain the relationship between saving and consumption?



Can you define the savings ratio?



Can you explain the causes and effects of changes in the savings ratio?



### 2.2.3 Investment (I)

Can you distinguish between gross and net investment?



Can you explain the influences on investment: rate of economic growth, interest rates, business confidence and expectations, availability of credit and taxes on company profits?



Can you explain government policies to promote investment, such as tax relief, subsidies and cuts in corporation tax?



**2.2.4 Government expenditure (G)**

Can you explain the influences on government expenditure: fiscal policy, the level of economic activity, correcting market failure and political priorities?

**2.2.5 Net trade balance (X - M)**

Can you explain how real income, the exchange rate, the state of the global economy, protectionism and non-price factors affect the net trade balance?

**2.3 Aggregate supply****2.3.1 Characteristics of AS**

Can you explain the concept of aggregate supply and draw the AS curve?



Can you distinguish between a movement along the AS curve and a shift of the AS curve?

**2.3.2 Short-run AS**

Can you explain how SRAS shifts due to changes in the costs of raw materials and energy, exchange rates and tax rates?

**2.3.3 Long-run AS**

Can you draw and explain the Keynesian and classical shapes of the LRAS curve?



Can you explain how LRAS shifts due to technology, productivity, education and skills, government regulation and tax, demographic change and net migration, and competition policy?

**2.4 National income****2.4.1 National income**

Can you explain the circular flow of income?



Can you distinguish between income and wealth?

**2.4.2 Injections and withdrawals**

Can you distinguish between injections and withdrawals?



Can you identify the injections (investment, government spending, exports) and withdrawals (saving, taxation, imports)?



Can you analyse the impact of net injections into and net withdrawals from the circular flow?



### 2.4.3 Equilibrium levels of real national output

Can you explain the concept of equilibrium real national output?



Can you analyse how shifts in AD and/or AS change the equilibrium level of real output?



### 2.4.4 The multiplier

Can you explain the multiplier and the multiplier process?



Can you explain the marginal propensities MPC, MPS, MPT and MPM?



Can you calculate the multiplier using  $1/(1 - MPC)$  and  $1/MPW$ , where  $MPW = MPS + MPT + MPM$ ?



Can you explain the significance of the multiplier for shifts in AD and the level of economic activity?



## 2.5 Economic growth

### 2.5.1 Causes of growth

Can you distinguish between actual and potential economic growth?



Can you explain how increases in the components of AD cause actual growth?



Can you explain the importance of international trade for export-led growth?



Can you explain the causes of potential growth: domestic investment and FDI, innovation, labour force growth (including net migration) and the degree of competition?



Can you explain the importance of productivity for economic growth?



### 2.5.2 Benefits of growth

Can you explain the benefits of growth: higher living standards, lower unemployment, higher profits and investment, higher tax revenue and improved public services?



### 2.5.3 Costs of growth

Can you explain the costs of growth: opportunity costs, environmental costs, trade deficits, greater inequality and inflation?



**2.5.4 Output gaps**

Can you explain an output gap as the difference between actual growth and long-term trend growth?



Can you distinguish between positive and negative output gaps and describe the characteristics of each?



Can you explain the difficulties of measuring output gaps?

**2.6 Macroeconomic objectives and policies****2.6.1 Macroeconomic objectives**

Can you explain the macroeconomic objectives of economic growth, low and stable inflation and low unemployment?



Can you explain the objectives of balance of payments equilibrium on the current account, a balanced government budget and greater income equality?

**2.6.2 Possible conflicts between objectives**

Can you explain the conflict between inflation and unemployment, using the short-run Phillips curve?



Can you explain the conflict between economic growth and environmental protection?



Can you explain the conflict between inflation and current account equilibrium?



Can you explain the conflict between economic growth and income equality?

**2.6.3 Macroeconomic supply-side policies**

Can you explain supply-side policies designed to increase productivity, competition and incentives?



Can you explain free market supply-side policies: deregulation of product and labour markets, privatisation, tax cuts, changes to welfare payments and reducing bureaucracy for firms?



Can you explain interventionist supply-side policies: investment in education, training and skills, investment incentives, infrastructure investment, finance for start-ups and regional policy?



Can you evaluate the strengths and weaknesses of different supply-side policies?

**2.6.4 Macroeconomic demand-side policies**

Can you distinguish between fiscal and monetary policy?



Can you distinguish between reflationary and deflationary policies?



Can you explain the fiscal policy instruments of government spending and taxation?



Can you explain the monetary policy instruments: interest rates, quantitative easing, changes in lending criteria and reserve asset (liquidity) requirements?



Can you explain the role of central banks in implementing monetary policy and meeting an inflation target?



Can you explain the role of central banks as banker to the government, banker to the banks and lender of last resort?



Can you evaluate the strengths and weaknesses of different demand-side policies?



## 3.1.1 Types of business

|                                                                                                       |                       |                       |                       |
|-------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|
| Can you distinguish between private sector organisations and state-owned enterprises (public sector)? | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you distinguish between for-profit and not-for-profit organisations?                              | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain co-operatives and joint ventures as types of business?                                | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

## 3.1.2 Size of businesses

|                                                                                                                                                        |                       |                       |                       |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|
| Can you distinguish between SMEs and large corporations?                                                                                               | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain organic growth and growth by merger or takeover?                                                                                       | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you distinguish between forward vertical, backward vertical, horizontal and conglomerate integration?                                              | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you evaluate the advantages and disadvantages of each type of merger or takeover?                                                                  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain the constraints on business growth: size of the market, access to finance, owner objectives and government regulation and bureaucracy? | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain why some firms remain small while others grow?                                                                                         | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you analyse the impact of firm growth on businesses, workers and consumers?                                                                        | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain the reasons for demergers and their impact on businesses, workers and consumers?                                                       | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

## 3.1.3 Business objectives

|                                                                                                                                                    |                       |                       |                       |
|----------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|
| Can you explain the objectives of profit maximisation, revenue maximisation and sales volume maximisation?                                         | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain satisficing as a behavioural theory of business objectives?                                                                        | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain the significance of the divorce of ownership from control, including the principal-agent problem?                                  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you state the conditions for profit maximisation ( $MC = MR$ ), revenue maximisation ( $MR = 0$ ) and sales volume maximisation ( $AC = AR$ )? | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

**3.2.1 Revenue**

Can you use the formulae for total, average and marginal revenue and explain the relationship between them?



Can you explain and calculate the relationship between PED and the revenue concepts?


**3.2.2 Costs**

Can you derive short-run cost curves from the assumption of diminishing marginal productivity?



Can you explain the law of diminishing returns?



Can you use the formulae for total cost, total fixed cost, total variable cost, average total cost, average fixed cost, average variable cost and marginal cost, and explain how they are related?



Can you explain the relationships between marginal product and marginal cost, average product and average cost, and total product and total cost?



Can you explain the relationship between short-run and long-run costs?


**3.2.3 Economies and diseconomies of scale**

Can you explain the relationship between the long-run average cost curve and economies and diseconomies of scale?



Can you explain minimum efficient scale?



Can you distinguish between internal and external economies of scale?



Can you explain the internal economies of scale: financial, technical, managerial, marketing, purchasing and risk-bearing?



Can you explain the external economies of scale: availability of skilled labour, access to transport links and sharing of knowledge?



Can you explain the diseconomies of scale: communication problems, coordination problems and X-inefficiency?


**3.2.4 Profits and losses**

Can you distinguish between normal profit, supernormal profit and losses?



Can you explain the short-run and long-run shutdown points?



**3.3a****Efficiency and competitive markets****A-LEVEL ONLY****3.3.1 Efficiency**

Can you explain allocative, productive and dynamic efficiency and X-inefficiency?



Can you compare efficiency and inefficiency in different market structures?

**3.3.2 Concentration ratio**

Can you calculate an n-firm concentration ratio?



Can you explain the significance of concentration ratios?

**3.3.3 Perfect competition**

Can you state the assumptions of perfect competition?



Can you draw and explain profit-maximising equilibrium in perfect competition in the short run and long run?



Can you explain the short-run shutdown point in perfect competition?



Can you explain productive and allocative efficiency in perfect competition in the short run and long run?

**3.3.4 Monopolistic competition**

Can you state the assumptions of monopolistic competition?



Can you explain types of product differentiation: physical, marketing and distribution?



Can you draw and explain profit-maximising equilibrium in monopolistic competition in the short run and long run?



Can you explain productive and allocative efficiency in monopolistic competition in the short run and long run?

**3.3b****Oligopoly, monopoly and contestability****A-LEVEL ONLY****3.3.5 Oligopoly**

Can you state the assumptions of oligopoly?



Can you explain the barriers to entry and exit: economies of scale, limit pricing, patents, branding, sunk costs and legal barriers?



Can you use simple game theory (a two-firm, two-outcome model) to explain the interdependence of firms?



Can you explain the reasons for collusive and non-collusive behaviour, including cartels, price leadership and price wars?



Can you evaluate the costs and benefits of collusion to producers, consumers, workers and governments?



Can you explain price competition: price wars, predatory pricing and limit pricing?



Can you explain non-price competition: advertising and branding, quality, endorsement, product placement and after-sales service?



Can you evaluate the costs and benefits of price and non-price competition to firms, consumers, employees and suppliers?



### 3.3.6 Monopoly

Can you state the assumptions of monopoly and explain the barriers to entry and exit?



Can you draw and explain profit-maximising equilibrium for a monopolist?



Can you evaluate the costs and benefits of monopoly to firms and consumers?



Can you explain the concept of natural monopoly and its implications?



Can you explain the conditions necessary for third-degree price discrimination?



Can you evaluate the costs and benefits of price discrimination to firms and consumers?



Can you analyse productive, allocative and dynamic efficiency under monopoly?



### 3.3.7 Monopsony

Can you explain the assumptions of, and conditions for, a monopsony to operate?



Can you evaluate the costs and benefits of monopsony to firms, consumers and employees?



### 3.3.8 Contestability

Can you explain the characteristics of contestable markets?



Can you explain the implications of contestability for firms' profitability and pricing decisions, including limit pricing?



Can you evaluate the costs and benefits of contestability for firms and consumers?



Can you explain the significance of sunk costs for contestability?



**3.4 Labour markets****A-LEVEL ONLY****3.4.1 The demand for labour**

Can you explain the factors influencing the demand for labour in an occupation: derived demand for the final product, labour productivity, price of the product and the wage relative to the price of capital?



Can you explain the factors influencing the elasticity of demand for labour?

**3.4.2 The supply of labour**

Can you explain the factors influencing the supply of labour to an occupation: population size, net migration, income tax rates, welfare benefits, government regulations and trade unions?



Can you explain the factors influencing the elasticity of supply of labour?

**3.4.3 Wage determination in competitive and non-competitive markets**

Can you draw and explain labour market equilibrium?



Can you analyse how shifts in the demand for and supply of labour change the equilibrium wage rate and quantity of labour?



Can you explain how wages are set in the public sector and state-owned enterprises?

**3.4.4 Market failure in the labour market**

Can you explain the causes and consequences of geographical immobility of labour?



Can you explain the causes and consequences of occupational immobility of labour?

**3.5 Government intervention****A-LEVEL ONLY****3.5.1 Government intervention in product markets**

Can you explain the case for government intervention in product markets?



Can you explain measures to control monopolies and mergers: price regulation, profit regulation, quality standards, performance targets, referral to regulatory authorities and merger legislation?



Can you explain measures to promote competition and contestability: tax incentives and grants for small businesses and FDI, deregulation, privatisation, competitive tendering and trade liberalisation?



Can you explain measures to protect suppliers and employees: local sourcing, employment legislation, barriers to entry of foreign firms, restrictions on monopsony power and nationalisation?



Can you analyse the impact of each measure on price, profit, efficiency, quality and choice?



Can you explain the limits to government intervention: regulatory capture, asymmetric information, inadequate resources and lack of regulatory power?



### 3.5.2 Government intervention in labour markets

Can you explain the case for government intervention in labour markets?



Can you analyse the effects of maximum and minimum wage controls?



Can you analyse the effects of direct taxes, such as national insurance contributions and corporation tax, on labour markets?



Can you analyse measures to reduce geographical and occupational immobility of labour?



Can you analyse measures to reduce discrimination and exploitation in labour markets?



**4.1 Causes and effects of globalisation****A-LEVEL ONLY****4.1.1 Characteristics of globalisation**

Can you explain rising trade as a share of GDP as a characteristic of globalisation?



Can you explain the growing importance of TNCs and FDI?



Can you explain rising migration as a characteristic of globalisation?

**4.1.2 Causes of globalisation**

Can you explain the causes of globalisation over the last 50 years: trade liberalisation, growth of trading blocs, political change (collapse of the Soviet system and opening up of China), lower transport and communication costs and the growth of TNCs?



Can you explain the reasons for FDI by TNCs and its impact on recipient countries?

**4.1.3 Effects of globalisation**

Can you explain the possible benefits of globalisation: faster growth, higher tax revenue, economies of scale, lower prices and higher consumer surplus, more choice and higher living standards?



Can you explain the possible costs of globalisation: displaced workers, worker exploitation, environmental damage, lost tax revenue from transfer pricing, greater inequality and TNC influence on domestic policy?

**4.2 Trade and the global economy****A-LEVEL ONLY****4.2.1 Specialisation and comparative advantage**

Can you evaluate the benefits and costs of international specialisation and trade?



Can you distinguish between absolute and comparative advantage?



Can you explain the assumptions and limitations of comparative advantage theory?

**4.2.2 Patterns and volume of world trade**

Can you explain the factors influencing trade patterns: emerging economies, changing comparative advantage, trading blocs and bilateral agreements, relative exchange rates and changes in protectionism?



Can you explain changes in trade flows between countries and the reasons for them?



**4.2.3 Terms of trade**

Can you explain and calculate the terms of trade?



Can you explain the factors that change the terms of trade: relative inflation, relative productivity, relative labour costs, the exchange rate and import and export prices?



Can you analyse the effects of changes in the terms of trade on export revenues, living standards and the balance of trade?

**4.2.4 Trade liberalisation and trading blocs**

Can you explain the role of the WTO in trade liberalisation?



Can you distinguish between free trade areas, customs unions, common markets and economic and monetary unions?



Can you evaluate the costs and benefits of trading bloc membership, including trade creation and trade diversion, prices, economies of scale, transaction costs and factor mobility?



Can you explain possible conflicts between trading blocs and the WTO?

**4.2.5 Restrictions on free trade**

Can you explain the reasons for protectionism: infant and geriatric industries, protecting jobs, national security, preventing dumping, correcting a current account deficit and raising revenue?



Can you explain and draw the effects of tariffs, quotas, non-tariff barriers and subsidies to domestic producers?



Can you analyse the effects of protectionism on consumers, producers, governments, living standards and equality?

**4.3****Balance of payments, exchange rates and international competitiveness****A-LEVEL ONLY****4.3.1 Balance of payments**

Can you explain the components of the balance of payments: the current account and the capital and financial accounts?



Can you explain the causes of current account deficits and surpluses?



Can you evaluate measures to reduce a current account imbalance?



Can you explain the significance of global trade imbalances?



**4.3.2 Exchange rates**

|                                                                                                                                                                                                                                           |                                                                   |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| Can you distinguish between fixed, managed and floating exchange rates?                                                                                                                                                                   | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you explain government intervention in currency markets through foreign currency transactions, interest rates and quantitative easing?                                                                                                | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you explain the factors affecting floating exchange rates: relative interest rates, relative inflation (PPP theory), the current account, economic strength, capital flight, speculation and global factors such as commodity prices? | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you distinguish between revaluation and appreciation?                                                                                                                                                                                 | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you distinguish between devaluation and depreciation?                                                                                                                                                                                 | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you analyse the effects of exchange rate changes on the current account, including the Marshall-Lerner condition and the J-curve effect?                                                                                              | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you analyse the effects of exchange rate changes on the capital and financial accounts, growth, unemployment, inflation and FDI?                                                                                                      | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you explain competitive depreciations and devaluations and their consequences?                                                                                                                                                        | <input type="radio"/> <input type="radio"/> <input type="radio"/> |

**4.3.3 International competitiveness**

|                                                                                                                                                                                           |                                                                   |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| Can you explain the measures of international competitiveness: relative productivity, relative unit labour costs and relative export prices?                                              | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you explain the factors influencing competitiveness: productivity, human capital, the exchange rate, wage and non-wage costs, regulation, infrastructure and non-price factors?       | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you evaluate policies to improve competitiveness: education and training, investment incentives, privatisation and deregulation, lowering the exchange rate and trade liberalisation? | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you explain the advantages of being internationally competitive and the problems of being uncompetitive?                                                                              | <input type="radio"/> <input type="radio"/> <input type="radio"/> |

**4.4 Poverty and inequality****A-LEVEL ONLY****4.4.1 Poverty**

|                                                                                                                                                                              |                                                                   |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| Can you distinguish between absolute and relative poverty?                                                                                                                   | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you explain the measures of absolute and relative poverty?                                                                                                               | <input type="radio"/> <input type="radio"/> <input type="radio"/> |
| Can you explain the causes of changes in poverty: economic growth, education and training, welfare benefits, tax changes, structural change, aid and civil war and conflict? | <input type="radio"/> <input type="radio"/> <input type="radio"/> |

**4.4.2 Inequality**

|                                                                                                                        |                       |                       |                       |
|------------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|
| Can you distinguish between wealth inequality and income inequality?                                                   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you draw a Lorenz curve and calculate and interpret the Gini coefficient?                                          | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain the causes of inequality within and between countries?                                                 | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you analyse the effects of inequality on enterprise, incentives, saving, education, migration and life expectancy? | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain how economic change and development affect inequality?                                                 | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain the significance of free market (capitalist) economies for inequality?                                 | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

**4.5****The role of the state in the macroeconomy****A-LEVEL ONLY****4.5.1 Public expenditure**

|                                                                                                                                                                           |                       |                       |                       |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|
| Can you distinguish between capital expenditure, current expenditure and transfer payments?                                                                               | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain why the size and pattern of public spending differ between countries and change over time, including changing incomes, age distribution and expectations? | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain the significance of public spending as a share of GDP for productivity and growth, crowding out and tax levels?                                           | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

**4.5.2 Taxation**

|                                                                                                                                                  |                       |                       |                       |
|--------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|
| Can you distinguish between direct and indirect taxes, with examples?                                                                            | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you distinguish between progressive, proportional and regressive taxes?                                                                      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you analyse the effects of changes in direct and indirect tax rates on incentives to work and tax revenue, using the Laffer curve?           | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you analyse the effects of tax changes on income distribution, real output and employment, the price level, the trade balance and FDI flows? | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

**4.5.3 Public sector borrowing and debt**

|                                                                                                                        |                       |                       |                       |
|------------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|
| Can you distinguish between a fiscal deficit and a fiscal surplus, and between a fiscal deficit and the national debt? | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you distinguish between automatic stabilisers and discretionary fiscal policy?                                     | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you distinguish between structural and cyclical deficits?                                                          | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Can you explain the factors influencing the size of fiscal deficits and national debt?                                 | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

Can you explain the significance of the size of deficits and debt for interest rates, debt servicing and intergenerational equity?



#### 4.5.4 Macroeconomic policies in a global context

Can you evaluate the use of fiscal, monetary, exchange rate and supply-side policies and direct controls to reduce fiscal deficits and national debt?



Can you evaluate the use of these policies to control inflation and respond to external shocks?



Can you evaluate the use of these policies to reduce poverty and inequality?



Can you explain the use of demand-side policies in response to the 2008 global financial crisis?



Can you explain measures to control TNCs, including reducing tax avoidance and regulating transfer pricing, and the limits to government control?



Can you analyse the impact of policy changes on local, national and global economies?



Can you explain the problems facing policymakers: inaccurate information, risk and uncertainty and the inability to control external shocks?



#### 4.6

### Growth and development in developing, emerging and developed economies

A-LEVEL ONLY

#### 4.6.1 Measures of economic development

Can you explain the three components of the HDI (education, health and income) and how each is measured?



Can you evaluate the advantages and limitations of the HDI for comparing living standards?



Can you explain other indicators of development, such as the share of adult male labour in agriculture, access to clean water, energy use per capita, internet and mobile phone access and doctors per thousand people?



#### 4.6.2 Constraints on growth and development

Can you explain how volatile commodity prices and primary product dependency, including the Prebisch-Singer hypothesis, constrain development?



Can you explain the savings gap using the Harrod-Domar model, the foreign currency gap and capital flight?



Can you explain how demographic factors, household and overseas debt, access to credit and banking, infrastructure and education and skills constrain development?



Can you explain the non-economic constraints on development: corruption, poor governance, civil war, migration and terrorism?



**4.6.3 Measures to promote growth and development**

Can you evaluate market-oriented strategies: trade liberalisation, promotion of FDI, removal of subsidies, privatisation, floating exchange rates and microfinance schemes?



Can you evaluate interventionist strategies: developing human capital, protectionism, managed exchange rates, infrastructure development, joint ventures with TNCs and buffer stock schemes?



Can you evaluate other strategies: industrialisation (the Lewis structural change model), tourism, development of primary industries, debt relief and aid?



Can you explain the roles of the World Bank, the IMF and NGOs in promoting growth and development?

