**4.1 International Economics**

Globalisation

1. What is meant by globalisation?
2. What are the characteristics of globalisation?
3. Give six factors which have contributed to globalisation in the last 50 years.
4. What are the impacts of globalisation on individual countries?
5. What are the impacts of globalisation on governments?
6. What are the impacts of globalisation on producers?
7. What are the impacts of globalisation on consumers?
8. What are the impacts of globalisation on workers?
9. What are the impacts of globalisation on the environment?

Specialisation and trade

1. What are some reasons for international trade?
2. What is absolute advantage?
3. What is comparative advantage?
4. Using a numerical/graphical example, show how international trade is beneficial even when one country may have a comparative advantage in both goods.
5. What are the assumption made in the theory of comparative advantage?
6. What are the advantages of specialisation and trade?
7. What are the disadvantages of specialisation and trade?

Pattern of trade

1. What have been the trends in global manufacturing trade over the past century?
2. What have been the main features of global trade in relation to emerging countries?
3. How have trading blocs resulted in trade creation and trade diversion?

Terms of trade

1. What is meant by the terms of trade?
2. How is the terms of trade calculated?
3. How does the terms of trade affect competitiveness of a country?
4. How does the terms of trade affect the living standards in a country?
5. What are some factors which might affect the terms of trade?

Trading blocs and the World Trade Organisation (WTO)

1. What are trading blocs?
2. How do trading blocs result in trade diversion?
3. How do trading blocs result in trade creation?
4. What is a free trade area? Give examples.
5. What is a customs union? Give examples.
6. What is common market? Give examples.
7. What are monetary unions? Give examples.
8. What are the benefits of trading blocs?
9. What are the drawbacks of trading blocs?
10. What are the benefits of monetary unions?
11. What are the drawbacks of monetary unions?
12. What is the World Trade Organisation (WTO)?
13. What is the role of the WTO?
14. How do trade blocs create conflict with the WTO?

Restrictions on free trade

1. What are some reasons for countries seeking to restrict free trade?
2. What are some methods which countries may use to restrict free trade?
3. Draw a diagram to show the impact of tariffs on consumers, producers and the government.
4. How could quotas be used to restrict imports?
5. How could subsidies be used to restrict import?
6. What are some non-tariff barriers which could be used to restrict free rate?
7. What is the impact of restricting free trade on consumers?
8. What is the impact of restricting free trade on producers?
9. What is the impact of restricting free trade on governments?
10. What is the impact of restricting free trade on living standards?
11. What is the impact of restricting free trade on equality?

Balance of payments

1. What is the balance of payments?
2. What are the four components of the balance of payments?
3. What is the current account?
4. What are the main sections of the current account?
5. What the surplus/deficit positions of these sections?
6. What are some factors which might cause imbalances on the current account?
7. What are some causes of current account deficits and surpluses?
8. How might government try to reduce a current account imbalances?
9. What is the capital account?
10. How significant is the capital account?
11. What is the financial account?
12. What are the four elements of the financial account?
13. What is foreign direct investment (FDI)?
14. Why is FDI important?
15. Why must the balance of payments always balance?
16. Why is the “net errors and omissions” item included?
17. Why might persistent deficits on the balance of payments be a problem?
18. Why might persistent surpluses on the balance of payments be a problem?

Exchange rates

1. What is an exchange rate?
2. What is a floating exchange rate?
3. How is the exchange rate determined in the floating exchange rate system?
4. What are fixed exchange rates?
5. How is the rate of exchange determined in the fixed exchange rate system?
6. What are managed exchange rates?
7. How do countries operate a managed exchange rate system?
8. What is meant by an appreciation of an exchange rate?
9. What is meant by a depreciation of an exchange rate?
10. What is meant by a revaluation of a currency?
11. What is meant by the devaluation of a currency?
12. What are some factors which might determine the demand for a currency?
13. What are some factors which might determine supply of a currency?
14. What are some ways in which a country might attempt to manage its exchange rate?
15. How might a country benefit from a depreciation of its currency?
16. How might exchange rate changes impact on the current account of the balance of payments?
17. What is the Marshall-Lerner condition?
18. What is the significance of the Marshall-Lerner condition on the impact of a depreciation on the current account?
19. What is the J-Curve?
20. What is the significance of the J-Curve on the current account after a depreciation of a currency?
21. How might changes in the exchange rate impact on a country’s competitiveness?
22. How might changes in the exchange rate impact on FDI?

International competitiveness

1. What is meant by international competitiveness?
2. What are some factors which might determine the competitive of a country?
3. What is meant by export-led growth?
4. What impact may competitive have on the balance of payments on the current account?
5. What are some supply side policies which countries might use to become more competitive internationally?

**4.2 Poverty and Inequality**

Absolute and relative poverty

1. What is meant absolute poverty?
2. How is absolute poverty measured?
3. What is meant by relative poverty?
4. How is relative poverty measured?
5. What are some causes of changes in absolute poverty?
6. What are some causes of changes in relative poverty?

Inequality

1. What is meant by income inequality?
2. What is meant by wealth inequality?
3. What is the Lorenz curve?
4. How does the Lorenz curve be used to study inequality?
5. What is the Gini coefficient?
6. How is the Gini calculated?
7. What do the values of 0 to 1 show?
8. What are the main caused of income inequality?
9. What are the main causes of wealth inequality?
10. What is the link between economic growth and income and wealth inequality?
11. What is the Kuznet’s curve?
12. How might industrialisation lead to greater inequality?
13. How might governments try to redistribute income?
14. Why might some economists argue that income and wealth inequality essential in a capitalist economy?

**4.3 Emerging and Developing Economies**

Measures of development

1. What is the Human Development Index (HDI)?
2. What are three components of the HDI?
3. How is the HDI measured?
4. What are the benefits of using the HDI to measure development?
5. What are the drawbacks of using the HDI to measure development?
6. What is the inequality adjusted HDI (IHDI)?
7. What might be reasons to use IHDI?
8. What is the Multi-dimensional Poverty Index (MPI)?
9. What might be reasons to MPI?
10. In addition to the measures above, what are some other indicators which may be used to measure development?

Factors influencing growth and development

1. What is economic growth?
2. What is economic development?
3. Why is economic development a subjective concept?
4. Why might primary product dependency be considered undesirable?
5. How might volatility in commodity prices affect economic growth and development?
6. How might levels of saving and investment impact on economic development?
7. What is the Harrod-Domar model?
8. What is the foreign currency gap?
9. How might the foreign currency gap affect economic development?
10. What is capital flight?
11. How might capital flight impact on development?
12. How might demographic structures affect economic development?
13. How might access to credit and banking affect economic development?
14. How might the quality of infrastructure affect economic development?
15. How might the level of education and skills affect economic development?
16. How might the absence of property rights affect economic development?
17. What are some non-economic factors which might affect economic growth and development?

Strategies influencing growth and development

1. What are market-orientated strategies?
2. How can trade liberalisation lead to greater growth and development?
3. How might the removal of government subsidies lead to greater growth and development?
4. How might the use of floating exchange rates lead to greater growth and development?
5. How might the use of microfinance schemes lead to greater growth and development?
6. How might privatisation lead to greater growth and development?
7. What is meant by interventionist strategies?
8. How might development of human capital lead to greater growth and development?
9. How might protectionism lead to greater growth and development?
10. How might managed exchange rates lead to greater growth and development?
11. How might infrastructure development lead to greater growth and development?
12. How might joint ventures with global companies lead to greater growth and development?
13. How might buffer stock systems lead to greater growth and development?
14. What are some drawbacks of using buffer stock systems?
15. Show the operation of a buffer stock system in a diagram.
16. What is the Lewis model?
17. How does the Lewis model explain development?
18. What are the problems of the Lewis model?
19. How does the development of tourism lead to economic development
20. What are some problems associated with relying on tourism for development?
21. How could the development of primary industries help economic development?
22. What are some problems associated with relying the development of primary industries for development?
23. How could fair trade schemes help economic development?
24. What are some drawbacks of relying on fair trade schemes for economic development?
25. What is foreign aid?
26. What are the different types of foreign aid?
27. What are the benefits of aid in assisting economic development?
28. What are the possible drawbacks of relying on foreign aid in assisting economic development?
29. What is debt relief?
30. What are the benefits of debt relief?
31. What are the possible drawbacks of debt relief?
32. What is the World Bank?
33. What is the role of the World Bank?
34. What is the International Monetary Fund (IMF)?
35. What is the role of the IMF?
36. What are Non-Governmental Organisations (NGO)?
37. What are the key characteristics of NGOs?
38. How do NGOs aim to aid development?

**4.4 The Financial Sector**

Role of financial markets

1. What are the five main roles of the financial markets?

Market failure in the financial sector

1. How does asymmetric information lead to market failure in the financial sector?
2. How do externalities lead to market failure in the financial sector?
3. How does moral hazard lead to market failure in the financial sector?
4. How do speculation and market bubbles lead to market failure in the financial sector?
5. How does market rigging lead to market failure in the financial sector?

Role of central banks

1. What is a Central Bank?
2. What is the role of the Central Bank in implementing monetary policy?
3. What is meant by the Central Bank being the banker to the government?
4. What is meant by the Central Bank being the banker to the banks?
5. What is the role of the Central Bank in regulating the banking industry?
6. Why does the Central Bank regulate the banks?
7. What might be the impact of regulation on banks?

**4.5 Role of the state in the macroeconomy**

Public expenditure

1. What are some reasons for government expenditure?
2. What is meant by capital expenditure?
3. What is meant by current expenditure?
4. What is meant by transfer payments?
5. How have changing incomes in countries affected the size and composition of public expenditure in the UK and abroad?
6. How have changing age distributions affected the size and composition of public expenditure in the UK and abroad?
7. How have changing expectations of citizens affected the size and composition of public expenditure in the UK and abroad?
8. How has the financial crisis affected the size and composition of public expenditure in the UK and abroad?
9. What is meant by crowing out?
10. How might high public expenditure as a proportion of GDP lead to crowing out?
11. Why might crowding out be considered undesirable?
12. How might high public expenditure crowd in investment?
13. Why might high public expenditure lead to lower productivity and lower economic growth?
14. What might be the impact of high public expenditure on the government’s budgetary positions?
15. What might be the impact of high public expenditure on the national debt?
16. Why might increase public expenditure be desirable?

Taxation

1. What is meant by progressive taxes? Give examples.
2. What is meant by proportional taxes? Give examples.
3. What is meant by regressive taxes? Give examples.
4. What are direct taxes? Give examples.
5. What are indirect taxes? Give examples.
6. What will be the impact of changes in direct or indirect taxes on the incentive to work?
7. What will be the impact of changes in direct or indirect taxes on tax revenues?
8. What is the Laffer curve?
9. How does the Laffer curve explain the changes in tax revenues?
10. What will be the impact of changes in direct or indirect taxes on the distribution of income?
11. What will be the impact of changes in direct or indirect taxes on real output and employment?
12. What will be the impact of changes in direct or indirect taxes on FDI?
13. What will be the impact of changes in direct or indirect taxes on the balance of trade?

Public sector finances

1. What is meant by a fiscal deficit?
2. What is meant by the national debt?
3. What is a cyclical deficit?
4. Why might a cyclical deficit disappear?
5. What is a structural deficit?
6. Why is a structural deficit considered to be a problem?
7. What are some factors which might affect the size of the fiscal deficit?
8. What are some factors which might affect the size of the national debt?
9. How do the sizes of fiscal deficits and national debts affect debt servicing position?
10. How do the sizes of fiscal deficits and national debts affect inter-generational equity?
11. How do the sizes of fiscal deficits and national debts affect inflation?
12. How do the sizes of fiscal deficits and national debts affect the country’s credit rating?
13. How do the sizes of fiscal deficits and national debts affect FDI?

Macroeconomic policies in a global context

1. What are automatic stabilisers?
2. What is meant by discretionary fiscal policy?
3. How has the use of fiscal policy changed in the UK and globally in recent decades?
4. What is meant by monetary policy?
5. How has the use of monetary policy changed in the UK and globally in recent decades?
6. What have been the implications of changing interest rates on economies?
7. What have been the implications of using inflation targets on economies?
8. What have been the implications of using quantitative easing on economies?
9. What have been the implications of using other monetary policy measures on economies?
10. What are supply-side policies?
11. What are some-supply side policies used in the UK and globally?
12. What have been the effects of supply-side polices?
13. What is meant by direct controls?
14. What is meant by maximum price controls?
15. What is meant by minimum guaranteed prices?
16. What is meant by wage controls?
17. What have been the effects of policies used (fiscal, monetary, supply-side, and direct controls) on fiscal deficits and national debts?
18. How have the policies above been used to reduce poverty and inequality?
19. What have been the effects of changes in the interest rates and the money supply?
20. What do the Monetarists say about the link between money supply and inflation?
21. How have the policies above been used to improve international competitiveness?
22. What are external shocks?
23. How might external shocks affect an economy?
24. What are global companies?
25. What are the benefits of global companies on host countries?
26. What are possible problems of global companies on host countries?
27. What is transfer pricing?
28. Why might transfer pricing be considered undesirable?
29. What are some ways in which countries might try to control the operations of a global company?
30. What are some limits on the ability of governments to control global companies?
31. What is meant by Trade Related Investment Measures (TRIMs)?
32. What are possible drawbacks of TRIMs?
33. What are footloose companies?
34. What are the implications of footloose companies on governments
35. Why might inaccurate information create a problem why applying economic policies?
36. Why might risk and uncertainties create a problem why applying economic policies?
37. Why might the inability to control external shocks create a problem why applying economic policies?