Revision: Can you answer these questions?

Draw + Define Revision Guide (use a ‘T’ diagram wherever possible)

1.1

· Why is the market system the best allocative system? Use a diagram.

· What is rationing and how does the market ration scarce resources?

· What does it mean to say that the market offers “signals + incentive”?

1.2

· Draw a diagram to show how firms benefit from PeD.

· Draw a diagram to allow you to analyse YeD/XeD

· Which stakeholders are affected by YeD/XeD/PeD/PeS?

· Stakeholder Focus for PeD?

· Stakeholder Focus for XeD?

· Stakeholder Focus for YeD?

· Stakeholder Focus for PeS?

· Why might it be important for firms to have knowledge of price elasticity?

1.3

1. Draw one type of government intervention and state 1 advantage and 1 disadvantage.

2. What is wrong with price controls?

3. Intervention or market? Decide.

4. To what extent can government intervention solve a market failure problem?

1.4

1. Where do you draw the welfare loss triangle in an externalities diagram?

2. Draw negative externality of consumption.

3. What is sustainability and what diagram would you use to illustrate sustainability?

4. What is wrong with some of the government solutions to externalities?

5. Is zero pollution desirable? Can you draw a diagram to show your answer?

1.5 **(HL)**

1. Draw short and long run equilibrium for all 4 models of competition: perfect, monopolistic, oligopoly and monopoly.

2. Oligipoly and interdependence. Can you draw this?

3. Draw the shut down point of a firm in Perfect Competition.

2.1

1. Define GNP. GDP. Real GDP.

2. To what extent would green GDP be a better measure of economic growth than GDP?

3. Explain which measure would tend to be higher in a developed (developing) country: GDP or GNP (GNI).

2.2 Aggregate Demand and Supply

1. How is the AS/AD model useful for management of an economy?

2. Distinguish between Keynesian and new classical (monetarist) economics.

2.3 Unemployment and Inflation

1. Draw one diagram that can be used to show unemployment and inflation in a macro economy.

2. Show the difference between deflation and a deflationary gap/recessionary gap.

3. Define recession.

4. List 4 demand and 4 supply side policies (i.e. policies to shift AD and AS).

5. Draw cyclical unemployment (demand deficient).

6. Explain limitations to the current methods of calculating the unemployment rate.

7. How might the Lorenz curve help government to change its fiscal policy?

2.4 Fiscal policy

1. Draw a diagram to show how government can use fiscal policies to manage an economy for inflation and unemployment

2. Why might progressive taxation be desirable?

3. How useful is monetary policy to manage an economy for growth, inflation and unemployment?

4. Draw a diagram to show progressive and regressive taxation for direct taxation.

2.5 monetary

1. Draw a diagram to show how government can use monetary policies to manage an economy for inflation and unemployment.

2. Which is more effective in getting a country out of a recession: fiscal or monetary policy?

3. What has happened to the monetary policy of Eurozone nations?

2.6

1. Why are supply side policies effective for macromanagement?

2. list two of the most important supply side policies

3. how does the laffer curve connect with supply side policies?

4. which is most effective for growth with stable inflation: supply side or demand side policies?

5. explain demand side policies giving one example.

3.1

1. Draw protectionism showing as many stakeholders as possible.

2. Distinguish among the different types of protectionism.

3. What are the advantages and disadvantages to a free-trade policy?

3.2

1. Exchange rates are important for a macroeconomy. Why?

2. Evaluate whether or not a floating exchange rate scheme is better than a fixed exchange rate scheme.

3.3

1. Balance of payments depends on exchange rates. Is this true?

3.4

1. Why has the EU been successful? Give 2 reasons.

3.5 HL

1. How is terms of trade affected by exchange rates?

4.1

1. Draw a PPC to show effect of 100.000 aids deaths on an African economy.
2. Define opportunity cost.
3. Distinguish between economic growth and development.

4.2

1. Why is GDP not enough when measuring development?

4.3

1. Micro credit and empowerment of women are effective paths to development. Give one reason for each.

4.4

1. With reference to a specific developing country, discuss 2 trade-related problems that are inhibiting growth and 2 potential trade-related strategies that could foster economic growth and development. Look to make a connection to 3.1.

4.5

1. Evaluate which would be more beneficial to a developing country: FDI or ODA. If possible, refer to a specific country.

4.6

1. Discuss the extent to which tied aid has hampered economic growth. Connect your answer to 4.7 (foreign debt).

4.7

4.8

1. The market and intervention are important for African development. Give one reason to support market-based policies and one reason for interventionist ones.