

Revision Pack:

Unit 4: The Global Economy - Checklist

Topic 1: What are the causes and effects of globalisation?

Topic 2: Why trade? and Trade restriction

Topic 3: How is international trade recorded and financed? and Exchange rates

Topic 4: How does a country compete?

Topic 5: What is poverty and inequality in developed and developing countries?

Topic 6: What are the limits to growth and development in developed and developing countries?

Topic 7: What is the role of the state in promoting growth and development?

Topic 8: What other measures can be used to promote growth and development?

Topic 1: What are the causes and effects of globalisation? (WB1)

1. Define globalisation
2. Explain the *causes* of globalisation
3. Explain the *effects* of globalisation
4. Explain the *costs* of globalisation
5. Explain the *benefits* of globalisation
6. Evaluate *causes* of globalisation
7. Evaluation the *costs* and the *benefits* of globalisation

Topic 2: Why trade? (WB2)

1. Explain recent patterns in trade
2. Explain the benefits of trade liberalisation
3. Explain the law of absolute and comparative advantages –*with diagrams and numerically*
4. Explain the role of the World Trade Organisation
5. Explain the different levels of economic integration
6. Explain the difference between a customs union and a free trade area
7. Use diagrams to explain trade diversion and trade creation
8. Explain methods to restrict trade (quotas, tariffs, non-tariff barriers, subsidies to domestic producers) – using diagrams
9. Explain the arguments for and against protectionism

Topic 3a: How is international trade recorded and financed? (WB3)

1. Explain the different components of the balance of payments
2. Explain how FDI is recorded in the balance of payments
3. Explain the significance of current account *deficits* and *surpluses*
4. Explain methods of correcting persistent current account deficit
5. Explain the significance of global imbalances
6. Explain the relationship between the current account and the exchange rate
7. Explain the Marshall Lerner condition
8. Explain the J Curve effect

Topic 3b: Exchange rates (WB3)

1. Explain the difference between freely floating exchange rates and fixed exchange rates
2. Explain the difference between devaluation and depreciation
3. Explain the difference between revaluation and appreciation
4. Explain the factors that influence exchange rates
5. Explain what causes a change in the value of one currency in terms of another?
6. Explain the possible advantages and disadvantages of high and low exchange rates
7. Explain how government's intervene in the foreign exchange market
8. Explain the costs and benefits of monetary union

Topic 4: How does a country compete?

(WB4)

1. Explain what is meant by international competitiveness
2. Explain how international competitiveness is measured
3. Explain the factors that influence international competitiveness
4. Explain government policies to increase international competitiveness

Topic 5: What is poverty and inequality in developed and developing countries? (WB5)

1. Define *absolute* and *relative* poverty
2. Explain the *causes* of poverty
3. Explain the vicious cycle of poverty
4. Evaluate policies aimed at reduce poverty;
5. Explain how poverty is measured (HPI)
6. Explain the difference between *wealth* and *income*
7. Explain how income inequality is measured (including the Gini Coefficient and Lorenz Cruves)
8. Explain the causes of income inequality
9. Evaluate policies aimed at reducing income inequality
10. Is income inequality a necessary condition of capitalism?

Topic 6: What are the limits to growth and development in developed and developing countries? (WB6)

1. Explain what is meant by *growth* and *development*
2. Explain why economic growth is a necessary condition of development but is not enough on its own
3. Explain the poverty cycle and how it links to growth and development
4. Explain the problems of economic growth for developing countries
5. Explain how the following factors limit growth and development in developing countries

<ul style="list-style-type: none">✚ poor infrastructure✚ human capital inadequacies✚ primary product dependency and problem of declining terms of trade✚ savings gap; inadequate✚ capital accumulation✚ foreign currency gap	<ul style="list-style-type: none">✚ capital flight✚ corruption✚ population issues✚ debt✚ poor governance✚ civil wars.
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6. Explain the Prebisch-Singer hypothesis
7. Explain the Harrod Domar Model and its link to Economic Development

Topic 7: What is the role of the state in promoting growth and development? (WB7 and Revision sheet)

1. State the 7 main macroeconomic policy objectives
2. Explain and use the AD and AS model – to demonstrate changes in the equilibrium price level and real output
3. Explain what causes the AD curve to shift
4. Explain what causes the AS curve to shift
5. Understand how the main macroeconomic policy instruments work (ie Fiscal Policy, Monetary Policy, Supply Side Policy)
6. Evaluation of Fiscal, Monetary and Supply Side policies
7. Explain the four main elements of Public Finances (ie Public expenditure, taxation, public sector net borrowing, public sector net debt)
8. Outline the factors that influence the size and pattern of *public expenditure*
9. Explain different types and methods of taxation
10. Analyse the *effect* of taxation and *changes in taxation*
11. Evaluate the impact of a budget deficit
12. Explain the difference between a budget deficit and the national debt and evaluate whether deficits and debts matter
13. Explain the role of automatic stabilisers

Topic 8: What other measures can be used to promote growth and development? (WB8)

1. Explain how the following measures can be used to help promote growth and development

- ✚ Aid
- ✚ Debt relief
- ✚ Development of human capital (usually financed by aid or FDI*)
- ✚ Improvement in infrastructure (usually financed by aid or FDI*)
- ✚ Industrialisation
- ✚ Promotion of tourism
- ✚ Development of Agriculture
- ✚ Microfinance
- ✚ Fair trade schemes
- ✚ Inward looking strategies (import substitution, protectionism)
- ✚ Outward looking strategies (free trade, promotion of *Foreign Direct Investment (FDI), devaluation of currency, deregulation of capital markets)
- ✚ Free market approaches v interventionist approaches

2. Explain the role of the International Monetary Fund in promoting development?

3. Explain the role of the World Bank in promoting development?

4. Explain the role of non-government organisations in promoting development? (e.g. Oxfam)