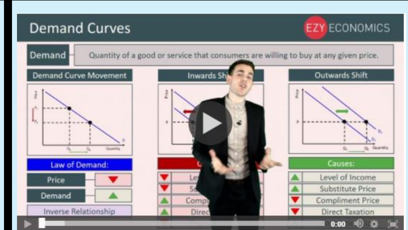
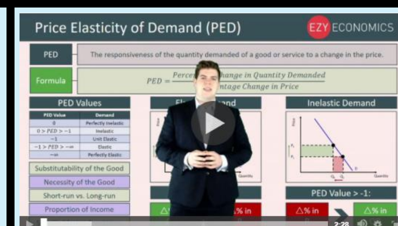
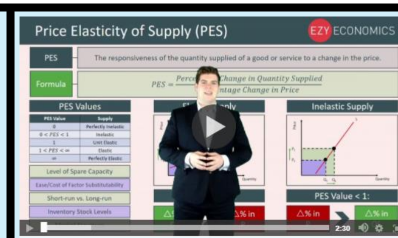
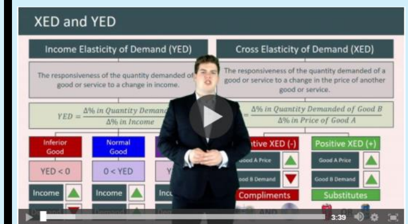
A-LEVEL ECONOMICS SNAPSHOTS

This is a recovery PDF file that will link you to each of the recap videos that cover each of the pages in the A-Level Economics Snapshots Booklet. Click on the video thumbnail to access the corresponding recap videos.

MICRO BASICS – 6 RECAP VIDEOS		
BB.1.	**Scarcity and Choice** The Economic Problem asks the question "How do we satisfy an unlimited set of wants and needs when we only have access to a limited, set of resources?". This underpins the reason why a lot of topics in economics are studied – for example, efficiency concerns how well resources are used; this would not be a prominent concern if resources were not scarce. Whilst longer, essay-style questions are unlikely to focus directly on the issue of 'The Economic Problem', it is important to understand why most students will have started their study of economics by investigating the economic problem and references to it can be useful during responses to essays about other topics.	
BB.2.	**Demand Curves** Demand curves provide economists with a graphical way of representing the quantity demanded of a good or service at any given price. Being able to understand the basic downward shape of demand curves and the distinction between a movement along the demand curve and a shift is a crucial skill amongst economists. Demand curves are vital for demand & supply analysis - the core bedrock of many microeconomic essay responses. Understanding how a factor is likely to shift the demand curve for a market and being able to diagrammatically represent this is an essential skill.	
BB.3.	**Supply Curves** Supply curves provide economists with a graphical way of representing the quantity supplied of a good or service at any given price. Being able to understand the basic upward shape of supply curves and the distinction between a movement along the supply curve and a shift is a crucial skill amongst economists. Supply curves are vital for demand & supply analysis - the core bedrock of many microeconomic essay responses. Understanding how a factor is likely to shift the supply curve for a market and being able to diagrammatically represent this is an essential skill.	
BB.4.	**Price Elasticity of Demand (PED)** If you are in Year 13, it is essential that you are confident of the basic foundations of elasticity and can effectively weave in elasticity into your longer responses as an analytical or evaluative tool. Price Elasticity of Demand is a good place to start with elasticity! PED measures how responsive demand is to a change in price. This is a key bit of information for businesses and economists to understand as it governs the extent of changes in market outcomes in response to changing market conditions.	

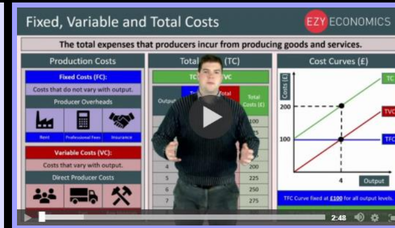
BB.5.	**Price Elasticity of Supply (PES)** If you are in Year 13, it is essential that you are confident of the basic foundations of elasticity and can effectively weave in elasticity into your longer responses as an analytical or evaluative tool. PES measures how responsive supply is to a change in price. This is a key bit of information for businesses and economists to understand as it governs the extent of changes in market outcomes in response to changing market conditions.	
BB.6.	**XED and YED** If you are in Year 13, it is essential that you are confident of the basic foundations of elasticity and can effectively weave in elasticity into your longer responses as an analytical or evaluative tool. XED and YED are additional elasticity tools you can call upon in an exam situation to demonstrate consumers demand sensitivity to changes in the price of related goods and household disposable income. Cross Elasticity of Demand (XED) helps students quantify the relationships between goods i.e. substitutes and complements. This terminology can be applied to a host of different markets across the economy to best emphasise the interrelatedness between markets. Income Elasticity of Demand (YED) helps students determine how much demand for a good is affected by disposable income changes. This is a valuable tool to develop and use in Paper 3 where the performance of the economy affects household income and demand for goods in individual markets.	

PRODUCTION, COSTS AND REVENUE – 4 RECAP VIDEOS

PCR.1.

Fixed, Variable and Total Costs

Production costs represent the total expenses that are incurred from producing goods and services over time. There are two different forms of production costs for a producer. Fixed costs represent the costs that do not change with output and relate to the core infrastructure of the business. Variable costs represent the costs that vary with output over time such as wages and raw materials. When aggregated together, across different output levels, this defines the total costs of production that the business faces. To understand and evaluate the market outcomes under different market structures, you need to be comfortable with what these costs represent.



PCR.2.

Average and Marginal Costs

When a producer increases production more labour, capital and materials will need to be used. This means that the variable costs of production will also increase. However, fixed costs of production do not change. Therefore, as more units are produced, fixed costs can be spread over a larger range of output. Variable costs of production fall for the first range of output, but then begin to rise afterwards due to a business reaching capacity. This represents the average total costs of a business.

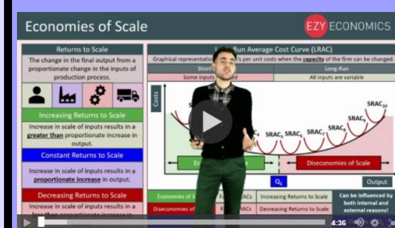
A producer also needs to identify its own marginal costs of production if it is to be able to identify the output level in which it can maximise profits. The marginal cost of production represents the additional cost associated with producing an extra unit of output. Once again, a producer would expect that the marginal cost will increase for higher levels of output.

PCR.3.

Economies of Scale

Whenever a business produces more goods, costs rise to reflect the increased input of factors of production in the process. However, the relative change in costs to extra output created is an important area for a business to focus on.

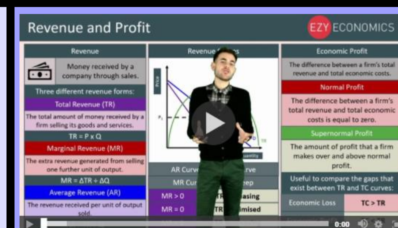
This is because if over time, output increases at a quicker rate than costs of production, this results in average costs falling over time. If this is the case, then the firm experiences economies of scale and develops a cost advantage over time. However, for many small to medium sized enterprises, the potential economies of scale available in the market are not always as significant some of the larger firms in large industries.

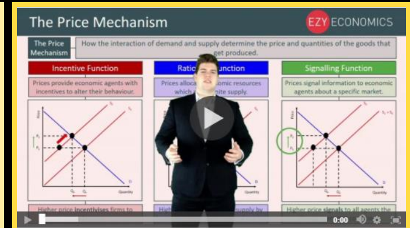
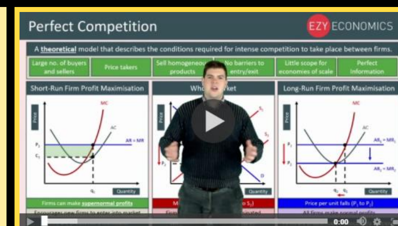
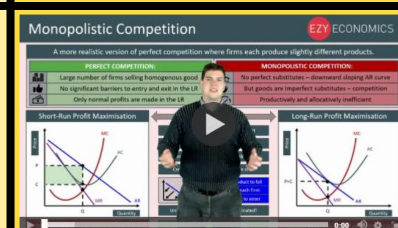
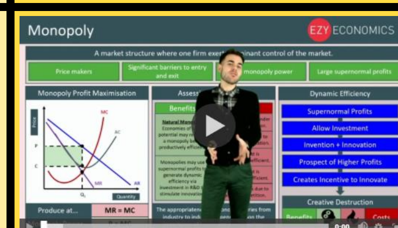


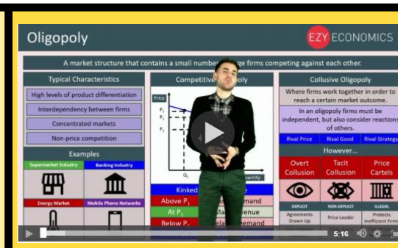
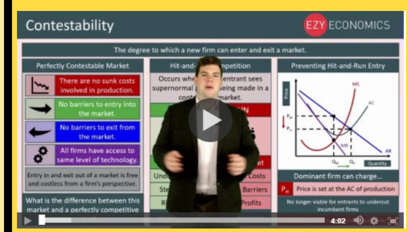
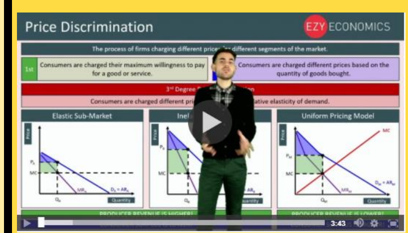
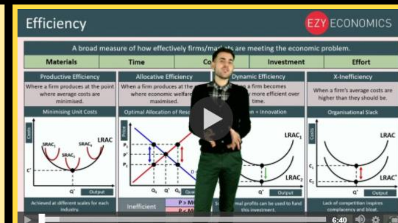
PCR.4.

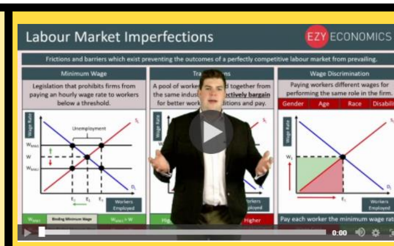
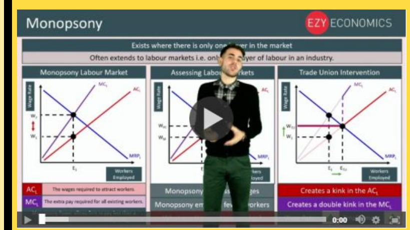
Revenue

When multiplying the price of a product and the quantity sold, we get the total sales revenue raised from selling a product. This figure is offset against the costs of making those products, and by doing so, determines the profitability of the product range. Firms need to raise profits to reinvest into their business and make innovative changes to the production process and product range. We define this level of profit as the supernormal profit earned by the firm. The point at which the firm profit maximises is when the difference between the firm's total revenue and total costs are at its greatest level. Being comfortable with some of the terminology regarding revenue and profit provides you with the analytical framework to evaluate and contrast different market structures in an exam context.

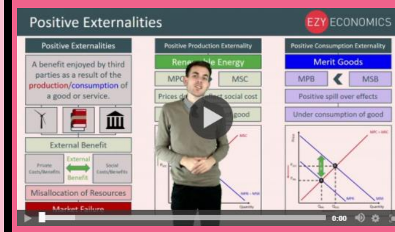
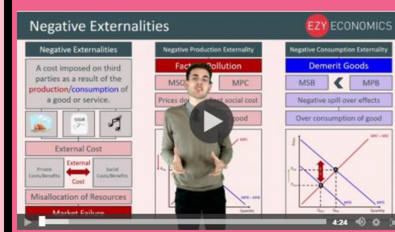


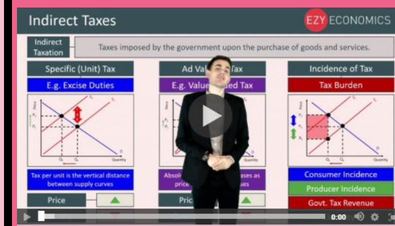
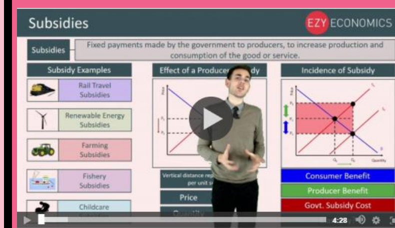
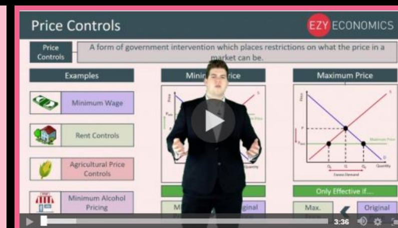
MARKETS – 12 RECAP VIDEOS		
M.1.	**The Price Mechanism** If you are in Year 12, it is essential that you are confident with the basic principles and functions of the price mechanism to help understand how the interaction of demand and supply creates a prevailing equilibrium price and quantity. The Price Mechanism describes three basic functions which ensure that markets optimally allocate and channel the available economic resources in the economy to best satisfy the human needs and wants across the economy.	
M.2.	**The Theory of Competition** If you are in Year 12, it is essential that you are confident with the basic characteristics of a range of different market structures, as well as the factors which affect the level of contestability in the market. Competition refers to the extent in which rival firms compete with each other within a market space. The level of competition within a market significantly affects the level of efficiency and welfare that persist in the market. The graphical representation of the market spectrum is not required at Year 12, but the theory behind the different market structures is needed to help provide you with a firm knowledge base to take into Year 13.	
M.3.	**Perfect Competition** The theory of perfect competition outlines the market conditions that need to hold for intense rivalry and competition to take place between firms in an industry. It is a theoretical model because the conditions which are required for this structure to prevail are characteristics which cannot hold in the real world. However, this theoretical framework is a useful analytical and evaluative tool to use to compare across the outcomes and welfare implications of different market structures.	
M.4.	**Monopolistic Competition** The market structure of monopolistic competition fits in between the theory of perfect competition and monopolies. This means that any firm that competes within this market structure is likely to enjoy some of the benefits of a monopoly but also adhere to the some of the competitive constraints under perfect competition. This market structure is often more popular than you may think as it often applies to independent retailers, restaurants and cafes on the high street.	
M.5.	**Monopoly** It is often tempting to think that a monopoly market structure just involves one firm producing and selling a good and/or service in the market. However, that only describes the theoretical case of a pure monopoly. By UK competition standards, a monopoly is one firm that has at least 25% of the market and therefore exerts control over other firms in the market. You need to be comfortable with this market structure and the welfare implications of this.	

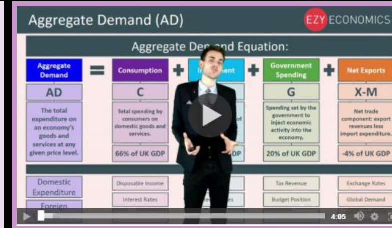
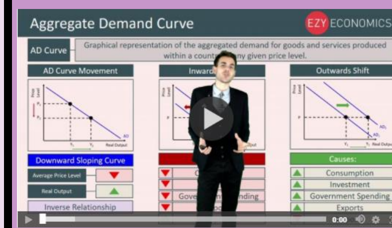
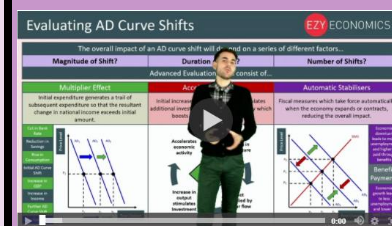
M.6.	**Oligopoly** Oligopolies describe a market structure where there are a small number of large firms that compete amongst each other in an industry. Some of the largest and most important industries in the UK are examples of oligopolies because there is often a high level of interdependency that exists between firms that compete. This just means that even though these firms are independent of each other in terms of their legal structure, their strategies that they implement are dependent on each other's strategies. This is what raises the prospect of collusion in an industry that is highly concentrated such as an oligopoly market structure.	
M.7.	**Contestability** Contestability relates to the ease at which new firms can enter and/or exit an industry. The most significant friction that new firms face when entering an industry are the sunk costs associated with being able to compete on competitive terms with incumbent firms in the market. If a firm discovers an industry, in which they can instantly compete with other firms, it may have the incentive to enter the industry and undercut incumbent firms to steal supernormal profits away from those firms as quickly as possible. This is what is known as hit-and-run entry and is an important concept to introduce when talking about contestability.	
M.8.	**Price Discrimination** Across many industries, firms segment the market into different customer segments and charge different prices based on the logic of the market segmentation. The most sophisticated price discrimination model used by producers is third-degree price discrimination. This is when firms charge consumers different prices based on their willingness and ability to pay for a good. Firms will benefit from charging higher prices to those that are willing to pay for it and lower prices to those that do not value the good as highly as others. This pricing model helps producers raise revenue but hurts consumer surplus.	
M.9.	**Efficiency** At A-level Economics you need to be comfortable with four main forms of efficiency – productive efficiency, allocative efficiency, dynamic efficiency and x-inefficiency. As much as it is important to be able to define and distinguish between each of these efficiency forms, it is important to be able to bring these terms into discussion when evaluating different market structures.	
M.10.	**Perfectly Competitive Labour Markets** Even though there are very few markets for labour that are perfectly competitive, understanding the theory of perfectly competitive labour markets such as the demand for labour and supply of labour curves, allows you to analyse the impact of labour market policies on the wage rate and the number of people employed. This can be used from both a micro and macro perspective and is of importance when sitting the Synoptic Paper (Paper 3).	

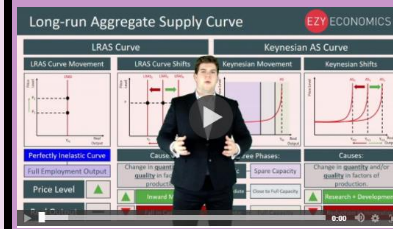
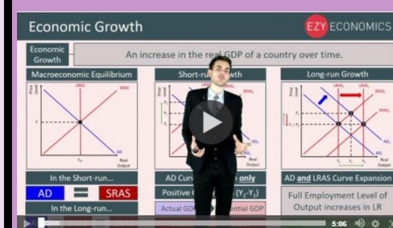
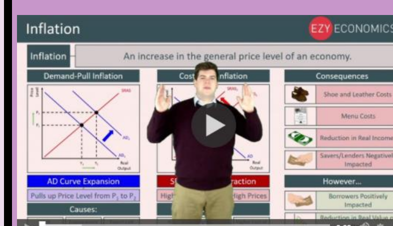
M.11.	**<u>Labour Market Imperfections</u>** The labour market of an industry is in equilibrium when the demand for and supply of labour intersect each other. This determines the equilibrium wage rate and the number of people employed in the industry. However, like any other market, there are often disturbances which can cause a disequilibrium in the labour market. These frictions and barriers are officially defined as labour market imperfections as they prevent the equilibrium wage rate from settling. In an exam situation you will often be tasked with having to assess the implications of a policy such as the imposition of a minimum wage or the increased presence of trade unions.	
M.12.	**<u>Monopsony</u>** A monopoly describes one producer/seller in the market and a monopsony describes one buyer in the market. A firm that is a monopsony has significant bargaining power when it comes to employing the factors of production needed to make goods and/or services. A monopsony firm is often perceived as an unhealthy position for a labour market to be in due to the fact that the outcomes under this labour market structure result in wages being depressed and the total number of people employed being below that which would prevail under a perfectly competitive scenario.	

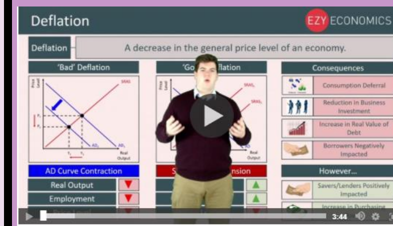
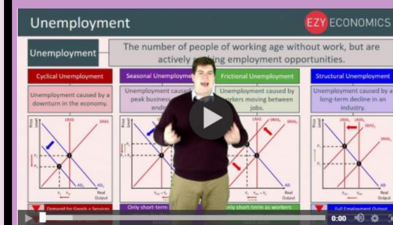
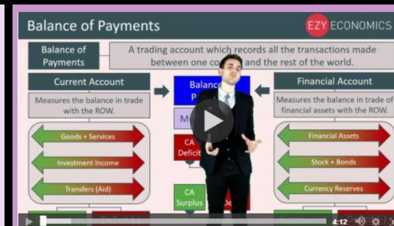
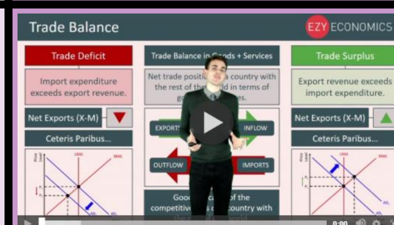
MARKET FAILURE AND INTERVENTION – 8 RECAP VIDEOS

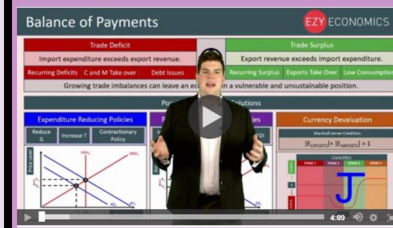
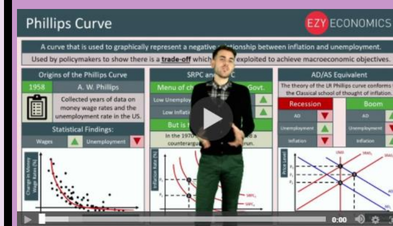
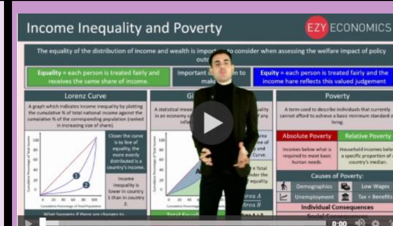
MFI.1.	**Positive Externalities** If you are in Year 12, it is essential that you are confident with the basic principles of externalities and how to graphically represent this on a demand and supply diagram. This is an important topic as exam questions centre around markets that fail and how policymakers can correct a misallocation of resources. An externality is a cost/benefit that is passed onto third parties as a result of the production and/or consumption of a good or service. Positive externalities represent goods which create an external benefit for society but are underprovided and underconsumed by the market as agents do not take into account the positive benefits which are released onto society.	
MFI.2.	**Negative Externalities** If you are in Year 12, it is essential that you are confident with the basic principles of externalities and how to graphically represent this on a demand and supply diagram. This is an important topic as exam questions center around markets that fail and how policymakers can correct a misallocation of resources. An externality is a cost/benefit that is passed onto third parties as a result of the production and/or consumption of a good or service. Negative externalities represent goods which create an external cost for society but are overprovided and overconsumed by the market as agents do not take into account the costs which are released onto society.	
MFI.3.	**Public Goods** The provision (or lack of) for public goods is a controversial and heated topic in microeconomics, as the question of who is best placed to provide and pay for goods and services which help satisfy basic human wants and needs is often debated amongst policymakers and politicians. Therefore, it is a relevant and probable question to appear in microeconomics exam papers and students need to be well versed in the discussion and explanation points surrounding this topic. Public goods are goods which, if left to the free market alone, would be underprovided. Therefore, the government has to intervene to ensure that these goods are sufficiently supplied in the market to overcome the free-rider problem.	
MFI.4.	**Asymmetric Information** Market failure arises because of a misallocation of resources and this results in a drop in social welfare. One influential factor behind this misallocation is sometimes if there is an unbalanced stock of information held by the two opposing sides of the market i.e. the buyers and the sellers. Often the side of the market that is armed with the greatest amount of information can exploit this position and this is the driving force behind the failure of the market. Asymmetric information is a very useful concept that applies to a wide range of different industries and markets and therefore can be used within the body of most essays	

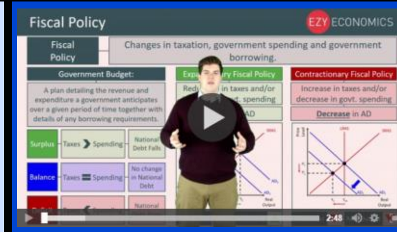
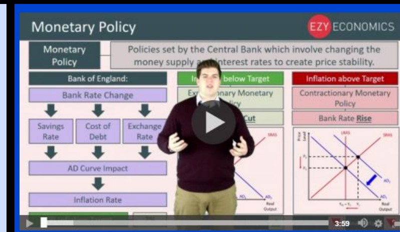
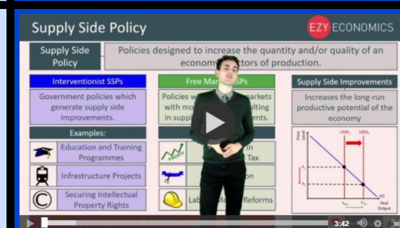
MFI.5.	**Indirect taxes** Indirect taxes are one of the central policy tools which can be used by a government to influence the outcome in the market to help nudge the equilibrium closer to the social optimum. The knowledge of this concept is crucial, as when discussing potential remedies for markets that fail to allocate scarce resources effectively, this simple but effective policy tool can be discussed. An indirect tax is a tax levied by the government upon the consumption of goods and services. This provides the government with a source of revenue for financing expenditure plans, but also helps reduce the consumption of goods which produce an external cost upon consumption/production. Students can also build upon the initial theory of indirect taxes to discuss the potential relative burden which is shared by agents in the market.	
MFI.6.	**Subsidies** Subsidies are one of the central policy tools which can be used by a government to influence the outcome in the market to help nudge the equilibrium closer to the social optimum. The knowledge of this concept is crucial, as when discussing potential remedies for markets that fail to allocate scarce resources effectively, this simple but effective policy tool can be discussed. Subsidies are government payments granted to producers to help encourage the provision of goods and services. The video provides students with both the theory and graphical representation of the impact a producer subsidy has on the market.	
MFI.7.	**Price Controls** Governments have a duty to protect the welfare of all economic agents across the economy and to prevent agents from being exploited by the forces of the market. One of the policy approaches a government can take is to impose a price control on the market, to ensure consumers are not exploited, and producers get a fair price for their production efforts.	
MFI.8.	**Regulations** Governments and policymakers have to remain vigilant and alert to intervene in a market when there is a misallocation of resources away from the social optimum. These policy tools help influence the outcome in the market and help nudge the equilibrium closer to the social optimum. The knowledge of this concept is crucial, as when discussing potential remedies for markets that fail to allocate scarce resources effectively, these simple but effective policy tools can be discussed in great detail.	

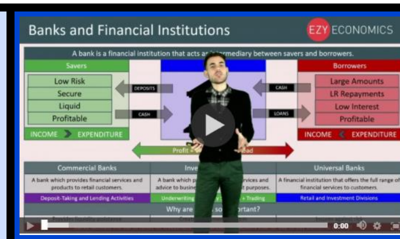
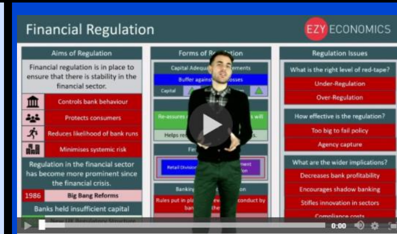
DOMESTIC – 16 RECAP VIDEOS		
D.1.	**Aggregate Demand (AD)** Aggregate Demand curves provide economists with a graphical way of representing the total expenditure on an economy's goods and services produced at any given point in time. Being able to understand the main components of aggregate demand is a crucial skill amongst economists. This is because AD/AS diagrams represent the core bedrock of many macroeconomic essay questions.	
D.2.	**AD Curves** Aggregate demand curves provide economists with a graphical way of representing the total expenditure on an economy's goods and services produced at any given point in time. Being able to understand the basic downward shape of aggregate demand curves and the distinction between a movement along the aggregate demand curve and a shift is a crucial skill amongst economists. Aggregate demand curves are vital for AD/AS analysis - the core bedrock of many macroeconomic essay responses. Understanding how a factor is likely to shift the aggregate demand curve for a market and being able to diagrammatically represent this is an essential skill.	
D.3.	**Evaluating AD Curve Shifts** The skill of an economist is to be able to analyse what is expected to happen because of the imposition of a policy or a economic event and as well as that be able to evaluate and question the assumptions that bind the economic theory together. In an economics exam, you are likely to have to represent an AD curve shift in one of your essays across Paper 2 and 3. You need to not just be able to identify the direction of the shift, but also the magnitude and duration of the shift. To really push your essay into the higher levels you can bring in terms and concepts such as the multiplier effect, accelerator effect and automatic stabilisers.	
D.4.	**SRAS Curves** Short-run aggregate supply curves provide economists with a graphical way of representing the aggregated supply of an economy's goods and services produced at any given point in time. Being able to understand the basic upward shape of SRAS curves and the distinction between a movement along the SRAS curve and a shift is a crucial skill amongst economists. SRAS curves are vital for AD/AS analysis - the core bedrock of many macroeconomic essay responses. Understanding how a factor is likely to shift the SRAS curve for a market and being able to diagrammatically represent this is an essential skill.	

D.5.	**LRAS Curves** The LRAS curve provides economists with a graphical depiction of how the output of an economy changes in the long run. The curve is vertically fixed at the full employment output level, to indicate that an economy cannot sustainably produce above capacity unless there is a change in the quality and/or quality of the economy's stock of factors of production. Being able to understand the distinction between a movement and shift in this curve is important because AD/AS diagrams represent the core bedrock of many macroeconomic essay questions. The nature and shape of the aggregate supply curve will change rather drastically if looking at this from a Keynesian school of thought. The video shows you the evaluative benefits your essay may benefit from by being able to draw upon a Keynesian AS curve.	
D.6.	**Macro Objectives** In many macroeconomic essay questions, students will have to be able to draw upon their knowledge of AD/AS diagrams to apply to real-world examples the impact of policy changes on the growth prospects of a country. In the analysis stage of their answer, they will need to assess the impact of the relative curve shift on the economy's main macroeconomic objectives. This is a key skill in macro essay questions as it gives students the breathing space to evaluate the winners and losers of an economic change. Traditionally, there are four main macroeconomic objectives that a country tries to achieve. The objectives are to create sustainable economic growth, low and stable prices, low unemployment and a competitive position on the balance of payments accounts. Quite often, it is impossible for any economy to achieve all of these objectives simultaneously and therefore when policymakers are changing their own policy stance they have to consider the possible trade-offs and conflicts which may exist between these objectives.	
D.7.	**Economic Growth** In many macroeconomic essay questions, students will have to be able to draw upon their knowledge of AD/AS diagrams to apply to real-world examples the impact of policy changes on the growth prospects of a country. Therefore, it is important for students to be confident with representing both short-run and long-run growth on an AD/AS diagram. Economic growth measures the rate at which a country's GDP is expanding over time. The video shows you the evaluative benefits your essay may benefit from by being able to discuss the type o growth an economy is experiencing and the impact it has on the main macroeconomic objectives.	
D.8.	**Inflation** Inflation is an important economic concept for students to be comfortable with as it has crucial spill-over effects on the long-term growth potential of an economy. Policymakers and central banks are keen to keep inflation low and stable to create stability in individual's purchasing power and ensure growth is not crowded out at the expense of escalating inflation. In many macro essay questions, inflation is a good topic to discuss at great length because it not only affects the strength of the domestic economy but also affects the long-term competitiveness of an economy with its main international trading partners. Inflation is the rate at which prices across the economy are increasing by at any given point in time. The video breaks down the impact of inflation on economic agents across the economy as well as depicting the impact of higher inflation via an AD/AS diagram.	

D.9.	**<u>Deflation</u>** Many would perceive that falling prices would boost an economy as the real incomes of consumers will surge. However, the interesting debating point amongst economists is that if a country experiences protracted spells of deflation then it may negatively hit spending and growth as consumers delay their purchases in anticipation of further price cuts. Therefore, students need to be armed with both sides of the deflation argument when going into an exam question surrounding inflation/deflation, as this represents an opportunistic moment to earn crucial evaluation marks. Deflation is when the inflation rate in a country turns negative and prices across the economy are falling over time. The video breaks down the impact of deflation on economic agents across the economy as well as depicting the causes of deflation via an AD/AS diagram.	
D.10.	**<u>Unemployment</u>** Unemployment is the measure of the number of people of working age who are out of work but are making active strides to get back into work. The number of people who are currently unemployed provides a key indicator of the underlying health of an economy. However, economists are always wary of drawing too many concrete conclusions from this metric as it does not include those who are not part of the labour force. In macro exam style questions, the disruption of the macroeconomic equilibrium and its direct impact on unemployment is a basic analysis tool which can provide students with the kickstart for their evaluation points. At A level, students are required to know about four different types of unemployment, cyclical, seasonal, frictional and structural unemployment. This video explains the distinction between each of these types of unemployment, as well as how to represent their impact on an AD/AS diagram.	
D.11.	**<u>Balance of Payments</u>** The balance of payments is a collection of individual trading accounts which measure how dependent an economy is on the rest of the world to satisfy its needs and wants. The accounts can be used to assess the external competitiveness of a country with the rest of the world. In an exam situation, students need to understand the basic structure of the balance of payments accounts to be able to appreciate that there is an inverse link between the performance on the current account and the financial account. By understanding the basic principles of this trading account, a student can start to analyse in more detail the impact of an exchange rate, interest rate and inflation rate change on the performance of the competitiveness of an economy.	
D.12.	**<u>Trade Deficits and Surpluses</u>** The trade balance of a country provides an important indicator of how competitive a country is with the rest of the world. In many economics exam papers, there will be an essay question testing students' knowledge of the trading relationship between countries and how a change in this relationship will affect the relative performance of the economies. Therefore, students need to be confident with the terminology surrounding trade and the factors which cause a country to run either a surplus or a deficit.	

D.13.	**Current Account Deficits and Surpluses** A deficit may sound bad and a surplus may sound good, but the reality is that some countries have to run a large surplus to finance the large deficits belonging to other countries. So should we really be as concerned with these trade statistics as we might think? Well the answer to this question is that it depends on the context of the deficit and surplus that we are dealing with. Yes, a large current account deficit is possibly a sign of an economy driven by strong consumer spending, but is it also a sign of an unbalanced and unsustainable economy? Therefore when discussing this important question it is important you have some examples of internal policies that can be implemented to restore some balance to a country's trading accounts.	
D.14.	**Phillips Curve** At the heart of macroeconomic policy decisions are the Government's central macroeconomic objectives. These objectives exist to provide a framework for policymakers to achieve the type of growth and performance levels that are needed if real benefits to the economy are going to be generated. However, there does not exist a perfect environment in which the government can achieve all these objectives at the same time. The Phillips Curve provides a graphical explanation of how and why there may exist a trade-off between two of the government's objectives – inflation and unemployment. Even though the relevance of the Phillips Curve in today's world has been put into question, it still is one of the most important theories in the field of macroeconomics.	
D.15.	**Productivity** Productivity is a sensitive talking point within businesses and the wider economy because it reflects upon how well managed and organised our production processes and supply chains are. The concept of productivity centres around generating as much from a given employed set of resources as possible. This is fundamental to driving real benefits to an economy when the number of resources available to employ are finite. In the UK, many economists have spent countless hours trying to find a "perfect" explanation behind the lost decade of productivity growth since the Financial Crisis, which is why this period is called the 'Productivity Puzzle'.	
D.16.	**Inequality and Poverty** Inequality and poverty are politically charged topics because they relate to the consequences of bad policy decisions and allocative inefficiency. Even though inequality is not a traditional macroeconomic objective for governments, it has become the "unofficial" fifth macro objective due to the importance of this issue for many people. Therefore, when policymakers are introducing a new policy or looking at adapting an existing one, a significant amount of emphasis needs to be placed on the impact this will have on the distribution of income and wealth.	

POLICY AND FINANCIAL MARKETS – 7 RECAP VIDEOS		
PFM.1.	**Fiscal Policy** The government of any country has a responsibility and vested interest to ensure that the level of public infrastructure across the economy remains functional and competitive with the rest of the world. Fiscal policy reflects the means by which a government adjusts its spending levels to fulfill the infrastructure requirements of the country. However, this can only be done by raising revenue from levying taxes on the wider economy. The government must strike the right balance between catering for the instant needs of the current generation, without lumbering an infinite number of future generations with high taxes and debt levels. Fiscal policy is a topical issue in economics exam papers as the debate over austerity has gripped many European nations, as a result of the lingering shadow of the 2008 financial crisis.	
PFM.2.	**Monetary Policy** For any economy, macroeconomic stability is vital to ensure that economic activity and confidence levels across the economy remain high. One aspect of macroeconomic stability is maintaining price stability. The central bank's sole responsibility is to ensure that prices grow at a steady and sustainable pace to protect people's real incomes and living standards. The conventional approach used by the central bank is the manipulation of interest rates to keep inflation in line with their CPI target. In most macroeconomics exam papers, a question regarding the central bank's role of controlling inflation via a monetary policy is used and therefore students need to be well-prepared with the basic knowledge requirements of this conventional policy area to use alongside a relevant AD/AS diagram.	
PFM.3.	**Quantitative Easing (QE)** After the 2008 financial crisis, many central banks around the world sought to stimulate their respective economies by slashing interest rates. This relates back to the chain of reasoning introduced in the traditional transmission mechanism. However, one of the limitations of interest rate changes is that the effectiveness of this policy tool erodes as the bank rate gets closer to zero. Therefore, many central banks found themselves in a position where interest rates could not feasibly go any lower, but the economy and the inflation rate still needed lifting. Central banks pursued different ways in which the economy could be stimulated and one of these policies was Quantitative Easing. As this is a recent string to the central bank's policy tools bow, you need to be comfortable with the process and overall consequences of QE heading into a macro exam.	
PFM.4.	**Supply Side Policy** Supply side policies are policies designed to try and help increase the productive capacity of the economy over time. This can be achieved via policy initiatives aimed at improving the quality and/or quality of an economy's factors of production over time. These policies can be instigated by the government's spending plans as an indirect effect of fiscal policy or via the drive of the free market to capture higher profits. This is a prominent discussion point within exams as the UK has experienced a 'lost decade' of productivity since the financial crisis. The discussion around supply side policies and the effectiveness of them can provide an extremely useful talking point when looking at the productivity of an economy over time.	

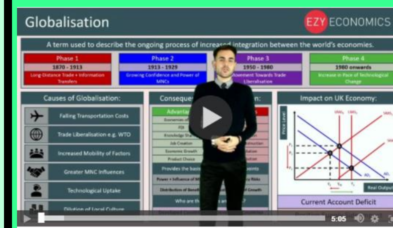
PFM.5.	**Banks and FIs** Banks and bankers have a bad reputation amongst the general public due to the perception that they are making huge profits using our savings and earning large bonuses in the process. However, Banks and financial institutions are crucial for the functioning of an economy.This is because they help meet the financial needs and wants of the general public. They provide payment services, insurance services, provide a channel through which you can save and allow you to borrow to finance the purchase of a house. A good starting point with this section is to be comfortable with the traditional banking model and the purposes that they serve in the real economy.	
PFM.6.	**2008 Financial Crisis** When it comes to the material surrounding the financial crisis there are lots of pieces of literature, books, articles and academic research devoted towards explaining and the analysing the causes that led up to the 2008 crash. As a student, it can often be quite challenging to recognise what is relevant for your studies and what is an extended piece of writing that goes above and beyond the base knowledge required for an exam.	
PFM.7.	**Financial Regulation** Regulation is enforced in an industry to curb the activities and conduct of firms to ensure that standards are maintained, and consumers are not being exploited. The extension of regulation towards the financial sector is no different. It is imposed to ensure that banks and staff that operate within them, comply with the basic rules and standards that are expected of them to avoid a repeat of some of the unethical behaviour and actions undertaken in the lead up to the 2008 financial crisis. However, there may be instances where imposing new strands of red tape on banks can be self-defeating rather than beneficial.	

INTERNATIONAL – 6 RECAP VIDEOS

I.1. Globalisation

Globalisation is a term which is used to explain how individual economies have moved away from their localised specialities towards a more global approach. Globalisation has fielded a series of advantages for firms, be that small or large, through the reduction in transportation costs and trade barriers.

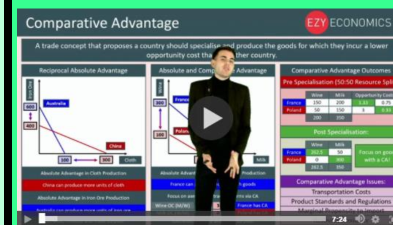
Even though you could argue that the biggest recipients of the benefits of globalisation are the largest firms (MNCs) it is also important to stress the role that globalisation has had on helping economies develop and progress. The art of answering a question on globalisation is to avoid getting into the “fluff” that comes around this topic and directly address the winners and losers of this ongoing process of integration.



I.2. Comparative Advantage

Ever wondered why the UK has a specialised focus on providing and selling services, whilst China has an innate ability to produce heavily manufactured goods? The theory of comparative advantage, to some degree, explains why countries focus and trade the surplus of the goods they are most efficient at producing.

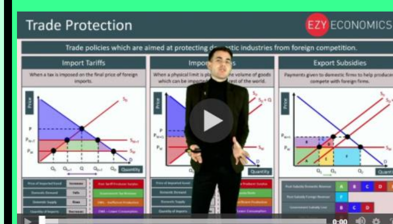
The theory is all built upon the concept of opportunity cost. The theory stipulates that if one country can produce a good at a lower opportunity cost than its trading partners it should focus on producing that good. The revenue derived from selling those goods abroad should then be used to buy goods from other countries. If countries put politics aside and trade based on this theory, there should be mutually beneficial trades to take advantage of. However, as we all know, when it comes to trade often politics gets in the way!



I.3. Trade Protection

Despite the efforts of the WTO and the existence of the widely accepted trade theory of comparative advantage, protectionism is still a trading action which is used as a political bargaining chip and sometimes implemented to place pressure on a particular industry or country.

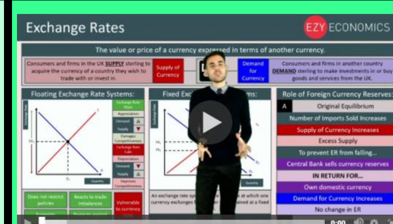
Even though protectionism is not a recommended policy tool by any independent body, there are some justifying grounds for imposing these types of policies such as protecting sunset or strategically important industries. Trade is a very popular essay topic and therefore you need to be comfortable with these policies, as well as being able to evaluate the implications of them.

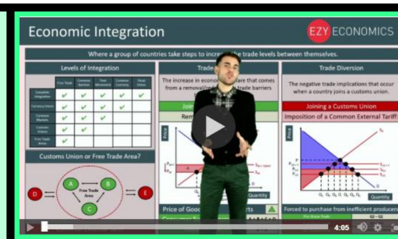


I.4. Exchange Rates

An exchange rate is a price at which one currency exchanges for another. Businesses, holidaymakers, governments and policymakers all keep a keen eye on the exchange rate as it has important knock-on effects for each of these agents.

However, the most important thing you need to know about exchange rates is to talk about the chain of reasoning when the exchange rate either rises and falls. This reasoning will be influenced by the type of exchange rate system that prevails, but having a good understanding of how exchange rates work allows you to consider secondary effects of any policy or economic event.



I.5.	**Economic Integration** Economic integration describes how countries take active steps to increase the amount of trade between themselves and the rest of the world. There are lots of competing terms that you need to be comfortable with such as a customs union, free trade agreement and single market. However, you also need to understand how economic integration can, in some instance, enhance trading opportunities, but also be able to show how increased integration can also discourage trade.	
I.6.	**Economic Development** Development economics is a branch of economics established to evaluate the link between growth and development. This is because standard economic theory, up to that point, had always assumed that higher levels of growth would translate into improved living standards and put a country on a strong development path. However, development economics questions that central statement and says that even though growth is sufficient for development to take place - it is not always necessary. This is because of some of the off-setting externalities which growth creates such as inequality, pollution and social problems. Therefore, a country needs to achieve the right type of growth (sustainable) to achieve the sort of development progress that will help close the gap between the richest and poorest nations.