

Edexcel (B) Economics A-level

Theme 2.4: Life in a Global Economy

Flashcards

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Describe globalisation



Describe globalisation

The integration of the world's economies in a single market, whereby tariffs and quotas are eliminated



How has transport contributed to an increase in globalisation?



How has transport contributed to an increase in globalisation?

It's now easier and more efficient to transport goods to and from different countries, thereby encouraging more trade



Name the international institution that
regulates global trade



Name the international institution that regulates global trade

World Trade Organisation (WTO)



What are MNCs?



What are MNCs?

Multinational Corporations - corporations that manage the production of goods/services in multiple countries



Describe containerisation



Describe containerisation

The distribution of goods in standard sized containers



Name the two countries that have
arguably grown the most due to
globalisation



Name the two countries that have arguably grown the most due to globalisation

India and China



What is GDP per capita



What is GDP per capita

The GDP of an economy divided by its population (capita)



Give 2 limitations of using GDP to measure the health of an economy



Give 2 limitations of using GDP to measure the health of an economy

1. Does not give any indication to the distribution of income and wealth
2. Cannot track the performance of the hidden markets



List the 3 components of the HDI index



List the 3 components of the HDI index

1. Education
2. Life expectancy
3. Standard of living



How does population growth in developed countries compare to that in developing countries



How does population growth in developed countries compare to that in developing countries

Much slower population growth in developed economies



Which type of economy usually has a stronger agricultural sector?



Which type of economy usually has a stronger agricultural sector?

Developing economies



Which countries form the BRIC economies?



Which countries form the BRIC economies?

Brazil

Russia

India

China



How would you find the 'median' income of an economy?



How would find the 'median' income of an economy?

This is the middle value of all incomes



What is specialisation?



What is specialisation?

Occurs when each worker completes a specific task in the production process, which can increase productivity and therefore reduce average costs of production



Describe the disadvantages of specialisation



Describe the disadvantages of specialisation

1. Employee motivation is compromised as a result
2. Structural unemployment, due to a mismatch between skills required and provided



Define comparative advantage



Define comparative advantage

Occurs when one country can produce a good/service at a lower opportunity cost than a different country



Define absolute advantage



Define absolute advantage

This is when one country can produce more units of a good/service than a different country with the same factor inputs



What are free trade areas?



What are free trade areas?

Comprise of different countries that agree to trade with each other with no protectionist barriers



How do customs unions differ from free trade areas?



How do customs unions differ from free trade areas?

A customs union comprises of a free trade area and a common external tariff, meaning it has a common trade policy with countries outside the customs union



What 2 features are added to a customs union to make it a common market?



What 2 features are added to a customs union to make it a common market?

The free movement of labour and capital



Give an example of a monetary union



Give an example of a monetary union

The Eurozone



List the 4 requirements in order to become a member of the Eurozone



List the 4 requirements in order to become a member of the Eurozone

1. Budget deficits must not exceed 3% of GDP
2. Gross National Debt has to be below 6% of GDP
3. Inflation has to be below 1.5% of the three lowest inflation countries
4. The average government bond yield has to be below 2% of the yield of the countries with the lowest interest rates



How can firms benefit from economies of scale when in a trade bloc?



How can firms benefit from economies of scale when in a trading bloc?

By entering a trading bloc, firms now have access to a broader market, which increases their output which they can benefit from lower average costs



How would costs between borders be reduced by entering a trade bloc?



How would costs between borders be reduced by entering a trade bloc?

By eliminating protectionists measures such as tariffs, there is no need for firms to pay high taxes, which could results in lower prices



Which is an outflow of money: imports or exports?



Which is an outflow of money: imports or exports?

Imports



What are exports?



What are exports?

Goods and services that are sold to foreign countries and are positive on the balance of payments scale



Do the UK specialise in goods (visibles)
or services (invisibles)?



Do the UK specialise in goods (visibles) or services (invisibles)?

Services (invisibles)



How do cheap imports affect unemployment in the domestic economy?



How do cheap imports affect unemployment in the domestic economy?

Cheap imports harm domestic firms as they lose their competitive advantage, therefore they produce less units of output, meaning they require less workers, hence the unemployment rate increases



How do cheap imports affect the domestic inflation rate?



How do cheap imports affect the domestic inflation rate?

Cheap imports promote competition, so firms find ways to reduce costs and lower prices, which lowers the overall rate of inflation



When does exchange rate depreciation occur?



When does exchange rate depreciation occur?

When the value of one currency falls relative to another currency in a floating exchange rate system



How is the exchange rate determined in a floating system?



How is the exchange rate determined in a floating system?

Determined by the forces of Supply and Demand



How is the exchange rate determined in a fixed system?



How is the exchange rate determined in a fixed system?

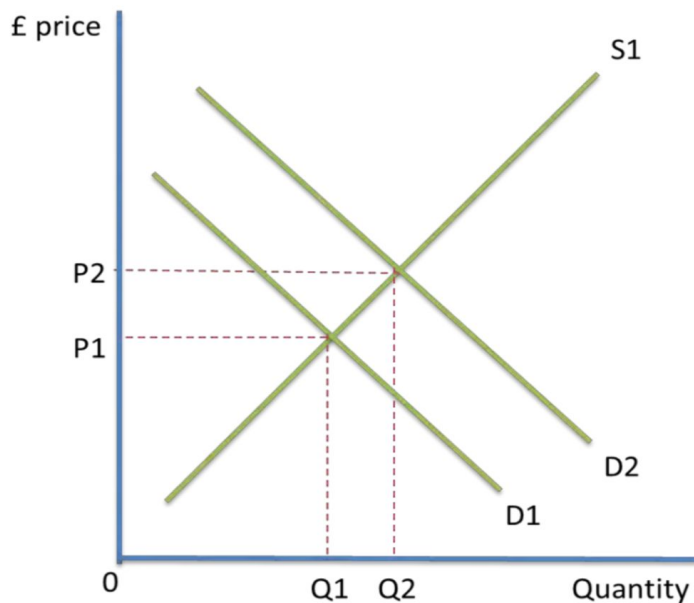
Determined by what the government wants to value the currency at



Draw a graph showing what happens to the exchange rate when demand for one currency increases in a floating system



Draw a graph showing what happens to the exchange rate when demand for one currency increases



How would a depreciation of the pound (£) help domestic firms?



How would a depreciation of the pound (£) help domestic firms?

It makes exports cheaper, which boosts demand for them and therefore helps UK firms grow



How would a depreciation of the pound (£) damage domestic firms?



How would a depreciation of the pound (£) damage domestic firms?

If UK firms import raw materials from other countries, a depreciation increases the cost of these materials, which would be passed onto consumers in the form of higher prices



What is the effective exchange rate?



What is the effective exchange rate?

Shows the strength of one currency compared to a basket of others, whereby the weight of different currencies is determined by how much trade occurs between the two countries

