

# OCR Economics A-Level

## Macroeconomics

### Topic 4 - The Global Context

#### Flashcards

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# International trade



# International trade

## Exchange of goods and services between countries



# Exchange rates



# Exchange rates

The purchasing power of a currency in terms of what it can buy of other currencies



# Nominal exchange rates



# Nominal exchange rates

The weight of one currency relative to another, without being adjusted for inflation



# Real exchange rates





## Real exchange rates

When the exchange rate is adjusted for inflation to give a more accurate reflection of purchasing power



# Fixed exchange rate



## Fixed exchange rate

The value of the currency is set against the value of another and the exchange rate does not change



# Floating exchange rate



## Floating exchange rate

Value of the currency is determined purely by market demand and supply of the currency



# Bilateral exchange rates



# Bilateral exchange rates

The value of one currency expressed in another currency



# Effective exchange rates





# Effective exchange rates

Describe the strength of one currency to a basket of other currencies using an index



# Hybrid exchange rate system



## Hybrid exchange rate system

A combination of the characteristics of fixed and floating exchange rates; the currency fluctuates but it doesn't float on a fully free market e.g. managed float



# Globalisation



# Globalisation

The growing interdependence of countries and the rapid rate of change it brings about; movement towards free trade of goods and services, free movement of labour and capital and free interchange of technology and intellectual capital



# International competitiveness



# International competitiveness

The ability of a country to compete effectively and become attractive in international markets



# Absolute advantage





## Absolute advantage

When a country can produce a good more cheaply in absolute terms than another country



# Comparative advantage



## Comparative advantage

When a country is able to produce a good more cheaply relative to other goods produced; it has a lower opportunity cost



# Terms of trade



## Terms of trade

The ratio of an index of a country's export prices to an index of its import prices



# Marshall-Lerner condition



## Marshall-Lerner condition

The sum of the price elasticities of imports and exports must be more than one if a currency depreciation is to have a positive impact on the trade balance



# J-Curve





## J-Curve

A current account will worsen before it improves following a depreciation of the currency



# Protectionism



# Protectionism

When the government enact policies to restrict the free entry of imports into their country, such as tariffs and quotas



# Free trade



# Free trade

# Trade with no barriers or restrictions



# Free trade areas



## Free trade areas

Where countries agree to trade goods with other members without protectionist barriers



# Customs union





## Customs union

The removal of all tariff barriers between members and the introduction of a common external tariff



# Monetary union



# Monetary union

Two or more countries with a single  
currency



# Economic union



## Economic union

A common market with a customs union and free movement of goods, services, capital and labour



# Tariffs



# Tariffs

Taxes placed on imported goods in an attempt to prevent people from buying them



# Quotas





# Quotas

Limits placed on the level of imports allowed into a country



# Trade creation



## Trade creation

When a country moves from buying goods from a high cost to a lower cost producer



# Trade diversion



## Trade diversion

When a country moves from buying goods from a low cost producer to a higher cost one



# Embargoes



# Embargoes

Complete ban on trade with a particular country

