

EA Articles = orange	Research papers and books = green	Blogs = blue	Video = purple	Podcasts = Red
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Component and area of study	Topic	EA Articles	Research papers and books	Blogs	Video	Podcasts
1.1 Nature of economics						
1.1.1 Economics as a social science	<p>a) Thinking like an economist: the process of developing models in economics, including the need to make assumptions</p> <p>b) The use of the ceteris paribus assumption in building models</p>					

[- We can't leave climate change policy to the scientists](#)

c) The inability in economics to make scientific experiments

1.1.2 Positive and normative economic statements

- a) Distinction between positive and normative economic statements
- b) The role of value judgements in influencing economic decision making and policy

1.1.3 The economic problem

- a) The problem of scarcity - where there are unlimited wants and finite resources
- b) The distinction between renewable and non-renewable resources

[- Competition is not unique to capitalism - it exists in all economic systems, Steven Horwitz, 2015](#)

[- Water: Supply, Prices, Scarcity and Regulation,](#)

[Sir Ian Byatt, 2012](#)

[- The opportunity cost of explaining opportunity](#)

c) The importance of opportunity costs to economic agents (consumers, producers and government)

[costs, Christopher](#)

[- In Focus: The Case for Privatising the BBC, Prof. Philip Booth, 2016](#)

[Snowdon, 2015](#)

[- What's the right way to think about cost?, Anthony J. Evans, 2015](#)

1.1.4

Production possibility frontiers

[- Plantation Agriculture:](#)

[Cure or Curse?](#)

a) The use of production possibility frontiers to depict:

- the maximum productive potential of an economy

- opportunity cost (through marginal analysis)

- economic growth or decline

- efficient or inefficient allocation of resources

- possible and unobtainable production

[- Taxation, Government Spending and Economic Growth, Prof. Philip Booth, 2016](#)

[- Competition is not unique to capitalism - it exists in all economic systems, Steven Horwitz, 2015](#)

[- Infrastructure Spending and Economic Growth -](#)

b) The distinction between movements along and shifts in production possibility curves, considering the possible causes for such changes
c) The distinction between capital and consumer goods

[A Briefing, Ryan Bourne and Diego Zualaga, 2016](#)

[- Adam Smith - A Primer](#)

1.1.5

Specialisation and the division of labour

a) Specialisation and the division of labour: reference to Adam Smith

[- Why should young economists read Adam Smith?, Summer 2016](#)

[- How free trade made Europe great \(Part 1\), Richard M. Ebeling, 2017](#)

[- Free market masters: Adam Smith, Craig Smith](#)

b) The advantages and disadvantages of specialisation and the division of labour in organising production

c) The advantages and disadvantages of specialising in the production of goods and services to trade

d) The functions of money (as a medium of

[- Money Matters, Spring 2016](#)

exchange, a measure of value, a store of value, a method of deferred payment)

1.1.6 Free market economies, mixed economy and command economy

- a) The distinction between free market, mixed and command economies: reference to Adam Smith, Friedrich Hayek and Karl Marx
- b) The advantages and disadvantages of a free market economy and a command economy
- c) The role of the state in a mixed economy

[- A U-Turn on the Road to Serfdom, Grover Norquist, 2014](#)

[- The Fallacy of the Mixed Economy, S.C. Littlechild, 2009](#)

[- Why privatization always trumps nationalization, Prof. Philip Booth, 2013](#)

[- Ludwig Erhard's social market economy - a liberal, not a social democratic concept, Razeen Sally, 2016](#)

[- The Legal Foundations of Free Markets, Dr Stephen Copp](#)

1.2 How markets work

1.2.1 Rational decision making

- a) The underlying assumptions of rational

[- The Profit Motive in Education: Continuing the Revolution, James B. Stanfield, 2012](#)

[- Behavioral economics and mainstream economics: friends or foes?, Paul Ormerod, 2015](#)

economic decision making:
- consumers aim to maximise utility
- firms aim to maximise profits

[- Understanding the basic economics of tobacco harm reduction', Carl V. Phillips, 2016](#)

1.2.2 Demand

a) The distinction between movements along a demand curve and shifts of a demand curve
b) The factors that may cause a shift in the demand curve (the conditions of demand)
c) The concept of diminishing marginal utility and how this influences the shape of the demand curve

1.2.3 Price, income and cross elasticities of demand

a) Understanding of price, income and cross elasticities of demand

[- The limits of empirical economics](#)
[- Frank Hollenbeck, 2016](#)
[- The perils and pitfalls of sin taxes, Christopher Snowden, 2014](#)

b) Use formulae to calculate price, income and cross elasticities of demand

c) Interpret numerical values of

- price elasticity of demand: unitary elastic, perfectly and relatively elastic, and perfectly and relatively inelastic

- income elasticity of demand: inferior, normal

and luxury goods; relatively elastic and relatively inelastic

- cross elasticity of demand: substitutes, complementary and unrelated goods

d) The factors influencing elasticities of demand

e) The significance of elasticities of demand to firms and government in terms of:

- the imposition of indirect taxes and subsidies
- changes in real income
- changes in the prices of substitute and complementary goods
f) The relationship between price elasticity of demand and total revenue (including calculation)

1.2.4

Supply

[- Abundance of land, shortage of housing.](#)
[Kristian Niemi, 2012](#)

a) The distinction between movements along a supply
b) The factors that may cause a shift in the supply curve (the conditions of supply)

1.2.5

Elasticity of supply

a) Understanding of price elasticity of supply

- b) Use formula to calculate price elasticity of supply**
- c) Interpret numerical values of price elasticity of supply: perfectly and relatively elastic, and perfectly and relatively inelastic**
- d) Factors that influence price elasticity of supply**
- e) The distinction between short run and long run in economics and its significance for elasticity of supply**

1.2.6

Price determination

- a) Equilibrium price and quantity and how they are determined**
- b) The use of supply and demand diagrams to depict excess supply and excess demand**
- c) The operation of market forces to**

[- Flaws and Ceilings: Price controls and the damage they cause, Christopher J. Coyne et al., 2015](#)

eliminate excess demand and excess supply
d) The use of supply and demand diagrams to show how shifts in demand and supply curves cause the equilibrium price and quantity to change in real-world situations

1.2.7

Price mechanism

[- Forever Contemporary - The Economics of Ronald Coase, Cento Veljanovski, 2015](#)

a) Functions of the price mechanism to allocate resources:
- rationing
- incentive
- signalling
b) The price mechanism in the context of different types of markets, including local, national and global markets

[- Flaws and Ceilings: Price controls and the damage they cause, Christopher J. Coyne et al., 2015](#)

[- The Living Wage campaign: Shouting at red signals, Dr. Kristian Niemietz, 2012](#)

[- There is nothing wrong with falling prices, John Tammy, 2017](#)

1.2.8

[- Private Hire](#)

**Consumer and
producer surplus**

- a) The distinction between consumer and producer surplus
- b) The use of supply and demand diagrams to illustrate consumer and producer surplus
- c) How changes in supply and demand might affect consumer and producer surplus

[Regulations
Review: Response
to Consultation
and further
proposals, Diego
Zuluaga, 2016](#)

**1.2.9
Indirect taxes and
subsidies**

- a) Supply and demand analysis, elasticities, and:
 - the impact of indirect taxes on consumers, producers and government
 - the incidence of indirect taxes on consumers and producers
 - the impact of subsidies on consumers,

[- Sea Change: How
markets & property
rights could
transform the
fishing industry, Dr
Richard Wellings,
2017](#)

[- Why childcare
subsidies have been
ineffective, Len
Shackleton, 2014](#)

[- Sin Taxes](#)

[- Agricultural
subsidies cause
perverse effects](#)

producers and government
- the area that represents the producer subsidy and consumer subsidy

1.2.10

Alternative views of consumer behaviour

a) The reasons why consumers may not behave rationally:
- consideration of the influence of other people's behaviour
- the importance of habitual behaviour
- consumer weakness at computation

[- Behavioural economics and mainstream economics: friends or foes?](#)

[- Is Behavioural economics subject to irrational exuberance?, Daniel Ben-Ami, 2016](#)
[economics and human imperfection: A bad case for government control](#)

1.3 Market failure

1.3.1

Types of market failure

a) Understanding of market failure
b) Types of market failure
- externalities

[- The Future of the Commons, Elinor Ostrom, 2012](#)

[- Redefining the poverty debate - Why a war on markets is no substitute for a war](#)

[- Sweet Truth - Is there a market failure in sugar?, Rob Lyons and Christopher Snowden, 2015](#)

[- The irrelevance of educational](#)

[- 2012 Hayek Lecture: Prof Elinor Ostrom speaks on market failure and government regulation](#)

- under-provision of public goods
- information gaps

[on poverty, Kristian Niemietz, 2012](#) [externalities, Mark Pennington, 2011](#)

1.3.2

Externalities

a) Distinction between private costs, external

costs and social costs

b) Distinction between private benefits, external benefits and social benefits

c) Use of a diagram to illustrate:

- the external costs of production using marginal analysis
- the distinction between market equilibrium and social optimum position
- identification of welfare loss area

d) Use of a diagram to illustrate:

- the external benefits of consumption using marginal analysis

[- Behavioural economics and human imperfection: A bad case for government control, Steven Horwitz, 2015](#)

- the distinction between market equilibrium and social optimum position
- identification of welfare gain area
- e) The impact on economic agents of externalities and government intervention in various markets

1.3.3

Public goods

- a) Distinction between public and private goods using the concepts of non-rivalry and non-excludability
- b) Why public goods may not be provided by the private sector: the free rider problem

1.3.4

Information gaps

- a) The distinction between symmetric and asymmetric information

[- How app-based ride sharing services overcome](#)

b) How imperfect market information may lead to a misallocation of resources

[information asymmetries, Michael Jennings, 2016](#)

1.4 Government intervention

1.4.1

Government intervention in markets

a) Purpose of intervention with reference to market failure and using diagrams in various

[- Alcohol and the Public Purse: Do Drinkers pay their way?, Christopher Snowden, 2015](#)

contexts:

- indirect taxation (ad valorem and specific)

- subsidies

- maximum and minimum prices

b) Other methods of government intervention:

- trade pollution permits

- state provision of public goods

- provision of information

[- Fifty Economic Fallacies Exposed: Ch. 1, Geoffrey E. Wood, 2014](#)

[- Government intervention in the steel industry is a bad idea](#)

- regulation

1.4.2

Government failure

- a) Understanding of government failure as intervention that results in a net welfare loss
- b) Causes of government failure:
 - distortion of price signals
 - unintended consequences
 - excessive administrative costs
 - information gaps
- c) Government failure in various markets

[D. R. Myddelton, 2007](#)

[- Prohibitions, John Meadowcroft et al., 2008](#)

[- Government Failure and Over-Government, Edited by Colin Robinson, 2005](#)

[- Public Choice - A Primer, Dr Eamonn Butler, 2012](#)

Theme 2: The UK economy - performance and policies

2.1 Measures of economic performance

2.1.1

Economic growth

[- Missing the point, Spring 2014](#)

[- Government can make us](#)

[- ...and the Pursuit of Happiness, Prof. Philip Booth, 2012](#)

[- GDP figures: how the financial times gets it wrong', David Henderson, 2015](#)

[- What Does Nominal GDP Targeting Entail?](#)

a) Rates of change of real Gross Domestic Product (GDP) as a measure of economic

[happy, Summer 2013](#)

[- Taxation, Government Spending and Economic Growth, Prof. Philip Booth, 2016](#)

growth

b) Distinction between:

- real and nominal
- total and per capita
- value and volume

c) Other national income measures:

- Gross National Product (GNP)

d) Comparison of rates of growth between countries and over time

e) Understanding of Purchasing Power Parities

(PPPs) and the use of PPP-adjusted figures in international comparisons

f) The limitations of using GDP to compare living standards between countries and over time

g) National happiness:
- UK national wellbeing

[- Can the government make us happy?', Ruth Porter, 2012](#)

- The relationship between real incomes and subjective happiness

2.1.2

[- The Hard facts About Hard Money, Summer 2013](#)

[- Fifty Economics Fallacies Exposed, Ch. 3, Geoffrey E. Wood, 2014](#)

[- Through the Roof](#)

Inflation

a) Understanding of:

- inflation

- deflation

- disinflation

b) The process of calculating the rate of inflation in the UK using the Consumer Prices

Index (CPI)

c) The limitations of CPI in measuring the rate of inflation

d) The Retail Prices Index (RPI) as an alternative measure of the rate of inflation

e) Causes of inflation:

- demand pull

- cost push

- growth of the money supply

[- Denationalisation of Money, F. A. Hayek, 1976](#)

[- Money and Micro-Economics, Pascal Salin, 2014](#)

f) The effects of inflation on consumers, firms, the government and workers

**2.1.3
Employment and unemployment**

a) Measures of unemployment:
- the claimant count
- the International Labour Organisation (ILO) and the UK Labour Force Survey

b) The distinction between unemployment and under-employment

c) The significance of changes in the rates of:
- employment

- unemployment
- inactivity

d) The causes of unemployment:

- structural unemployment
- frictional unemployment
- seasonal unemployment

[- The EU Jobs Myth, Ryan Bourne, 2015](#)

[- Politicians need to wake up to the flaws in our tax system, Ryan Bourne, 2014](#)

[- Inflation and Unemployment, Milton Friedman, 1977](#)

- demand deficiency and cyclical unemployment
- real wage inflexibility

e) The significance of migration and skills for employment and unemployment

f) The effects of unemployment on consumers, firms, workers, the government and society

[- Free to move, Phillipe Legrain, 2016](#)

[- Dont ignore the evidence on net migration', Len Shackleton, 2015](#)

2.1.4

Balance of payments

a) Components of the balance of payments, with particular reference to the current account, and the balance of trade in goods and services

b) Current account deficits and surpluses

[- From Crisis to Confidence Macroeconomics after the Crash, Roger Koppl, 2014](#)

[Century: The WTO, FTA's and Asia Rising, Razeen Sally, 2008](#)

- c) The relationship between current account imbalances and other macroeconomic objectives
- d) The interconnectedness of economies through international trade

2.2 Aggregate demand (AD)

2.2.1

The characteristics of AD

- a) Components of AD: $C+I+G+(X-M)$
- b) The relative importance of the components of AD
- c) The AD curve
- d) The distinction between a movement along, and a shift of, the AD curve of, the AD curve

2.2.2

Consumption (C)

- a) Disposable income and its influence on

consumer spending
b) An understanding of the relationship between savings and consumption
c) Other influences on consumer spending:

- interest rates
- consumer confidence
- wealth effects

[- Low interest rates have costs as well as benefits](#)

2.2.3

[- Running on Empty, Spring 2014](#)

[- Fifty Economic Fallacies Exposed, Ch. 9, Geoffrey E. Wood, 2014](#)

[- Keynes's disastrous](#)

[contribution to economic theory, Steven Kates, 2014](#)

Investment (I)

- a) Distinction between gross and net investment
b) Influences on investment:
- the rate of economic growth
 - business expectations and confidence
 - Keynes and 'animal spirits'
 - demand for exports
 - interest rates
 - access to credit

- the influence of government and regulations

2.2.4

Government expenditure (G)

- a) The main influences on government expenditure:
 - the trade cycle
 - fiscal policy

2.2.5

Net trade (X-M)

- a) The main influences on the (net) trade balance:
 - real income
 - exchange rates
 - state of the world economy
 - degree of protectionism
 - non-price factors

[- Why is Picketty so certain about things which are probably completely wrong?, Prof. Philip Booth, 2014](#)

[- The renminbi depreciation - a small step towards liberalisation, Felix Nozon, 2015](#)

[- Protectionism will do](#)

[- Is Sterling Devaluation the Path to Prosperity?](#)

[nothing for the UK -
or the
quality of football,
Ryan
Bourne, 2014](#)

2.3 Aggregate supply (AS)

2.3.1

The characteristics of AS

- a) The AS curve
- b) The distinction
between movement
along,
and a shift of, the AS
curve
- c) The relationship
between short-run AS
and
long-run AS

2.3.2

Short-run AS

- a) Factors influencing
short-run AS:
 - changes in costs of raw
materials and energy
 - changes in exchange
rates

[- The 'soft
renationalisation'
of the energy
sector, Carlo
Stagnaro, 2012](#)

- changes in tax rates

2.3.3

Long-run AS

a) Different shapes of the long-run AS curve:

- Keynesian

- classical

b) Factors influencing long-run AS:

- technological advances
- changes in relative productivity
- changes in education and skills
- changes in government regulations
- demographic changes and migration
- competition policy

[- Clouding the Future, Autumn 2015](#)

[- The Big Chill, Spring 2014](#)

[- Square Peg Round](#)

[Hole, Autumn 2015](#)

[- Do we really want to make the broadband sector more like the postal service?, Diego Zuluaga, 2015](#)

[- Liberating farming from the CAP, Sean Rickard, 2012](#)

[- The Challenge of Immigration - a Radical Solution, Gary S. Becker, 2011](#)

[- Setting up the next Keynesian bubble and bust?, G. R. Steele, 2013](#)

[- Europe's digital economy needs tax competition, Massimiliano Trovato and Diego Zuluaga, 2014](#)

[- THINK - The Economics of Change](#)

[- Annual Hayek Memorial Lecture 2010, Prof. Gary Becker](#)

2.4 National income

2.4.1

National income

a) The circular flow of income

[- Wealth](#)

b) The distinction between income and wealth

[inequality: the facts, Ryan Bourne, 2015](#)

2.4.2

Injections and withdrawals

a) The impact of injections into, and withdrawals from, the circular flow of income

2.4.3

Equilibrium levels of real national output

- a) The concept of equilibrium real national output**
- b) The use of AD/AS diagrams to show how shifts in AD or AS cause changes in the equilibrium price level and real national output**

2.4.4

The multiplier

- a) The multiplier ratio**
- b) The multiplier process**
- c) Effects of the multiplier on the economy**

- d) Understanding of marginal propensities and their effects on the multiplier:
- the marginal propensity to consume (MPC)
 - the marginal propensity to save (MPS)
 - the marginal propensity to tax (MPT)
 - the marginal propensity to import (MPM)
- e) Calculations of the multiplier using the formulae $1/(1-MPC)$ and $1/MPW$, where $MPW=MPS+MPT+MPM$
- f) The significance of the multiplier for shifts in AD

2.5 Economic growth

2.5.1

Causes of growth

- a) Factors which could cause economic growth

[- Infrastructure investment and economic growth,](#)
[David Starkie, 2015](#)

b) The distinction between actual and

potential growth

c) The importance of international trade for (export-led) economic growth

[- The Economics of International Development, Prof. William Easterley, 2016](#) [- Fifty Economic Fallacies Exposed, Ch. 2, Geoffrey E. Wood, 2014](#)

2.5.2

Output gaps

a) Distinction between actual growth rates and long-term trends in growth rates

b) Understanding of positive and negative output gaps and the difficulties of measurement

c) Use of an AD/AS diagram to illustrate an output gap (level of spare capacity) in an economy

2.5.3

Trade (business) cycle

a) Understanding of the trade (business) cycle

[- Causes and Cures of the Great Recession, Steven Horwitz, 2012](#)

[- What Austrian business cycle theory does and does not claim as true, Anthony J. Evans, 2010](#)

b) Characteristics of a boom
c) Characteristics of a recession

2.5.4 The impact of economic growth

a) The benefits and costs of economic growth and the impact on:
- consumers
- firms
- the government
- current and future living standards

[- Unaffordable housing: Causes, consequences and solutions', Dr. Kristian](#)

[Niemietz, 2015](#)

2.6 Macroeconomic objectives and policies

2.6.1 Possible macroeconomic objectives

a) Economic growth
b) Low unemployment
c) Low and stable rate of inflation

[- Stagnations - Has Growth Gone for Good? - Page 41, Autumn 2015](#)

[- Leading Economists warn 1% could become the UK's new norm, IEA, 2013](#)

[- Climate Change Policy: Challenging the Activists,](#)

- d) Balance of payments equilibrium on current account
- e) Balanced government budget
- f) Protection of the environment
- g) Greater income equality

[Colin Robinson, 2008](#)

2.6.2

Demand-side policies

- a) Distinction between monetary and fiscal policy
- b) Monetary policy instruments:
 - interest rates
 - asset purchases to increase the money supply (quantitative easing)
- c) Fiscal policy instruments:
 - government spending and taxation
- d) Distinction between government budget (fiscal) deficit and surplus

[- Fifty Economic Fallacies Exposed, Ch. 4, Geoffrey E. Wood, 2014](#)

[- Monetarists' blind spot on quantitative easing, Anthony J. Evans, 2011](#)

[- Monetary Policy Decision](#)

[- Verdict on the Crash: Causes and Policy Implications, Prof. Philip Booth, 2009](#)

[- Financial Risk and Quantitative Easing](#)

[- Causes and Cures of the Great Recession, Steven](#)

[- Verdict on the Crash](#)

[Horwitz, 2012](#)

[- Crises of Governments, Robert Barro, 2011](#)

e) Distinction between, and examples of, direct and indirect taxation

f) Use of AD/AS diagrams to illustrate demand-side policies

g) The role of the Bank of England:

- the role and operation of the Bank of England's Monetary Policy Committee

h) Awareness of demand-side policies in the

Great

Global Financial Crisis of

- different interpretations

- policy responses in the US and UK

[- Central Banking in a Free Society', Tim Congdon, 2016](#)

Strengths and weaknesses of demand-side policies

2.6.3

Supply-side policies

[- Low Pay and the Cost of Living: a Supply-Side Approach, Ryan Bourne, 2014](#)

[- The supply side needs love too', Joshua Woods, 2015](#)

a) Distinction between market-based and

interventionist methods

b) Market-based and interventionist policies:

- to increase incentives
- to promote competition
- to reform the labour market
- to improve skills and quality of the labour

force

- to improve infrastructure

c) Use of AD/AS diagrams to illustrate supply-side policies

d) Strengths and weaknesses of supply-side

policies

[- Transforming welfare - incentives, localisation and non-discrimination, Kristian Niemietz, 2010](#)

[- Understanding the Labour Market for Older Workers John S. Heywood and W.](#)

[Stanley Siebert, 2008](#)

[- Transport Infrastructure: Adding Value', David Starkie, 2013](#)

[- Low Pay and the Cost of Living: a Supply-Side](#)

[Approach, Ryan Bourne, 2014](#)

[- Privatisation, Competition and Regulation, Steven Littlechild, 2000](#)

[- The Living Wage: beware the trade-off deniers, Ryan Bourne, 2015](#)

**2.6.4
Conflicts and tradeoffs
between objectives
and policies**

- a) Potential conflicts and trade-offs between the macroeconomic objectives
- b) Short-run Phillips curve
- c) Potential policy conflicts and trade-offs

**Theme 3: Business
behaviour
and the labour market
3.1 Business growth**

**3.1.1
Sizes and types of
firms**

- a) Reasons why some firms tend to remain

[- Self Employment, Small Firms and Enterprise, Peter Urwin, 2011](#)

small and why others
grow

b) Significance of the
divorce of ownership
from control: the
principal-agent problem
c) Distinction between
public and private

sector organisations

d) Distinction between
profit and not-for-
profit organisations

[- The Flaws in Rent
Ceilings, Ryan
Bourne, 2014](#)

[- Hung up on Red
Tape, Summer 2013](#)

3.1.2

Business growth

a) How businesses grow:

- organic growth
- forward and backward
vertical integration
- horizontal integration
- conglomerate
integration

b) Advantages and
disadvantages of:

- organic growth
- vertical integration
- horizontal integration
- conglomerate
integration

c) Constraints on
business growth:

- size of the market
- access to finance
- owner objectives
- regulation

3.1.3 Demergers

- a) Reasons for demergers
- b) Impact of demergers on businesses, workers and consumers

3.2 Business objectives

3.2.1 Business objectives

- a) Different business objectives and reasons for them:
 - profit maximisation
 - revenue maximisation
 - sales maximisation
 - satisficing
- b) Diagrams and formulae to illustrate the different business objectives:
 - profit maximisation

[- A Brief on Business Ethics - The Essential Ideas, Tibor R. Machan, 2007](#)

[- The burden of 'too much choice, Mark Pennington, 2011](#)

- revenue maximisation
- sales maximisation

3.3 Revenues, costs and profits

3.3.1

Revenue

a) Formulae to calculate and understand the relationship between:

- total revenue
- average revenue
- marginal revenue

b) Price elasticity of demand and its relationship to revenue concepts (calculation required)

3.3.2

Costs

a) Formulae to calculate and understand the relationship between:

- total cost
- total fixed cost
- total variable cost
- average (total) cost
- average fixed cost
- average variable cost
- marginal cost

- b) Derivation of short-run cost curves from the assumption of diminishing marginal productivity
- c) Relationship between short-run and long-run average cost curves

3.3.3

Economies and diseconomies of scale

- a) Types of economies and diseconomies of scale
- b) Minimum efficient scale
- c) Distinction between internal and external economies of scale

[- PubCo's economies of scale, Christopher Snowden, 2014](#)

3.3.4

Normal profits, supernormal profits and losses

- a) Condition for profit maximisation
- b) Normal profit, supernormal profit and losses
- c) Short-run and long-run shut-down points:

[- The burden of 'too much choice', Mark Pennington, 2011](#)

diagrammatic analysis

3.4 Market structures

3.4.1

Efficiency

- a) Allocative efficiency
- b) Productive efficiency
- c) Dynamic efficiency
- d) X-inefficiency
- e) Efficiency/inefficiency in different market structures

[- Winter is coming: NHS crisis Talks](#)

3.4.2

Perfect competition

[- Free Market Masters](#)

- a) Characteristics of perfect competition
- b) Profit maximising equilibrium in the short run and long run

[- With flexibility and competitiveness, the City can prosper after Brexit, Gerard Lyons, 2018](#)

[- Don't just blame energy giants: government is blunting competition, Prof. Philip Booth, 2014](#)

[- What's next for uber and the gig economy?](#)

c) Diagrammatic analysis

3.4.3

Monopolistic run

- a) Characteristics of monopolistically competitive markets
- b) Profit maximising equilibrium in the short run and long run

c) Diagrammatic analysis

3.4.4

Oligopoly

a) Characteristics of oligopoly

- high barriers to entry and exit

- high concentration ratio

- interdependence of firms

- product differentiation

b) Calculation of n-firm concentration ratios and their significance

c) Reasons for collusive and non-collusive behaviour

d) Overt and tacit collusion; cartels and price leadership

e) Simple game theory: the prisoner's dilemma in a simple two firm/two outcome model

f) Types of price competition:

- price wars

- predatory pricing

- limit pricing

[- Austrian thoughts on competition policy, Philip Booth, 2011](#)

g) Types of non-price competition

**3.4.5
Monopoly**

- Lifestyle Economics

- a) Characteristics of monopoly**
- b) Profit maximising equilibrium**
- c) Diagrammatic analysis**
- d) Third degree price discrimination:**
 - necessary conditions
 - diagrammatic analysis
 - costs and benefits to consumers and producers
- e) Costs and benefits of monopoly to firms, consumers, employees and suppliers**
- f) Natural monopoly**

**3.4.6
Monopsony**

- a) Characteristics and conditions for a monopsony to operate**
- b) Costs and benefits of a monopsony to firms, consumers, employees and suppliers**

3.4.7

Contestability

- a) Characteristics of contestable markets
- b) Implications of contestable markets for the behaviour of firms
- c) Types of barrier to entry and exit
- d) Sunk costs and the degree of contestability

- [Markets in the Firm](#), Tyler Cowen and David Parker, 2009

3.5 Labour market

3.5.1

Demand for labour

- a) Factors that influence the demand for labour
- b) Demand for labour as a derived demand

3.5.2

Supply of labour

- a) Factors that influence the supply of labour to a particular occupation
- b) Market failure in labour markets: the

geographical and occupational mobility and immobility of labour

3.5.3
Wage determination in competitive and non-competitive markets

a) Diagrammatic analysis of labour market equilibrium
b) Understanding of current labour market issues
c) Government intervention in the labour market:
- maximum and minimum wages
- public sector wage setting
- policies to tackle labour market immobility

[- The Wage Flaw, Summer 2013](#)

[- The Minimum Wage:](#)

[Silver Bullet or Poisoned Challace?, Ryan Bourne and J. R. Shackleton, 2014](#)

[- And How Much Do You Earn?, Ryan Bourne and J. R. Shackleton, 2016](#)

[- Working to rule - the damaging economics of UK employment regulation, Len Shackleton, 2017](#)

[- The minimum Wage - will](#)

[job losses be minimal?, Daniel Aaronson, Eric French and Isaac Sorkin, 2015](#)

[- Does the Minimum Wage Hurt Workers?](#)

d) The significance of the elasticity of demand for labour and the elasticity of supply of labour

3.6 Government intervention

3.6.1 Government intervention

a) Government intervention to control mergers

b) Government intervention to control monopolies:

- price regulation
- profit regulation
- quality standards
- performance targets

c) Government intervention to promote competition and contestability:

- enhancing competition between firms through promotion of small business
- deregulation
- competitive tendering for government

[- Thatcher: The Myth of Deregulation, Prof. Philip Booth, 2015](#)

[- Thought Control, Spring 2017](#)

[- The right and wrong forms of Government regulation, Peter King, 2010](#)

contracts

- privatisation

d) Government

intervention to protect

suppliers and

employees:

- restrictions on

monopsony power of

firms

- nationalization

3.6.2

The impact of
government
intervention

a) The impact of

government

intervention on:

- prices

- profit

- efficiency

- quality

- choice

b) Limits to government

intervention:

- regulatory capture

- asymmetric

information

Theme 4: A global
perspective

4.1.1

- Believe it or not:
the world

Globalisation

- a) Characteristics of globalisation
- b) Factors contributing to globalisation in the last 50 years
- c) Impacts of globalisation and global companies on individual countries, governments, producers and consumers, workers and the environment

[is becoming more equal,](#)
[Marian L. Tupy,](#)
[2015](#)

[- The impact of Globalisation](#)

[- The threat of economic nationalism - the debate within the Catholic Social Teaching, Prof. Philip Booth, 2017](#)

[- Paradise Papers: The benefits of tax havens](#)

[- Public opinion is turning away from Globalisation',](#)
[Diego Zuluaga, 2016](#)

4.1.2 Specialisation and trade

- a) Absolute and comparative advantage (numerical and diagrammatic): assumptions and limitations relating to the theory of comparative advantage
- b) Advantages and disadvantages of

specialisation and trade
in an international
context

4.1.3

Pattern of trade

a) Factors influencing
the p countries and
changes in trade flows
between countries
pattern of trade
between

- comparative
advantage

- impact of emerging
economies

- growth of trading blocs
and bilateral trading
agreements

- changes in relative
exchange rates

[- The economics of
international
development,
William Easterly et
al., 2016](#)

4.1.4

Terms of trade

a) Calculation of terms
of trade

b) Factors influencing a
country's terms of
trade

c) Impact of changes in a
country's terms of
trade

[- The Case For
Unilateral Free Trade](#)

4.1.5

Trading blocs and the World Trade Organisation (WTO)

[- Swiss role: what the euro could learn from Switzerland, Spring 2015](#)

[- Britain and the EU](#)

- a) Types of trading blocs (regional trade agreements and bilateral trade agreements):
 - free trade areas
 - customs unions
 - common markets
 - monetary unions: conditions necessary for their success with particular reference to the Eurozone
- b) Costs and benefits of regional trade agreements
- c) Role of the WTO in trade liberalisation
- d) Possible conflicts between regional trade agreements and the WTO

[- The UK can do better than the EU's customs union, Julian Jessop, 2018](#)

[- The eurozone crisis and the future of monetary unions, Michael Jeffers, 2012](#)

[- Let's leave the EU customs union for good, Julian Jessop, 2018](#)

[- Free trade cannot wait for the WTO, 2008](#)

[- Free trade, not sanctions,](#)

4.1.6

Restrictions on free trade

[helping the world's poor,](#)
[Steven Horwitz,](#)
[2014](#)

a) Reasons for restrictions on free trade

b) Types of restrictions on trade:

- tariffs
- quotas
- subsidies to domestic producers
- non-tariff barriers

c) Impact of protectionist policies on consumers, producers, governments, living standards, equality

4.1.7

Balance of payments

a) Components of the balance of payments:

- the current account
- the capital and financial accounts

b) Causes of deficits and surpluses on the current account

c) Measures to reduce a country's imbalance

on the current account
d) Significance of global
trade imbalances

4.1.8

Exchange rates

a) Exchange rate
systems:

- floating
- fixed
- managed

b) Distinction between
revaluation and
appreciation of a
currency

c) Distinction between
devaluation and

depreciation of a
currency

d) Factors influencing
floating exchange rates

e) Government
intervention in currency
markets through foreign
currency
transactions and the use
of interest rates

[- The Hard facts](#)

[About](#)

[Hard Money,
Summer 2013](#)

[- Denationalisation](#)

[of](#)

[money, F.A Hayek,
1974](#)

[- A policy for a
lower exchange rate
will not boost
economic growth,
Prof. Philip Booth,
2012](#)

[- The renminbi
depreciation - a
small step towards
liberalisation, Felix
Nozon, 2015](#)

f) Competitive devaluation/depreciation and its consequences

g) Impact of changes in exchange rates:

- the current account of the balance of payments (reference to Marshall-Lerner condition and J curve effect)

- economic growth and employment/unemployment

- rate of inflation

- foreign direct investment (FDI) flows

4.1.9

International competitiveness

a) Measures of international competitiveness:

- relative unit labour costs

- relative export prices

b) Factors influencing international competitiveness

c) Significance of international competitiveness:
 - benefits of being internationally competitive
 problems of being internationally uncompetitive

4.2 Poverty and inequality

4.2.1 Absolute and relative poverty

a) Distinction between absolute poverty and

relative poverty

b) Measures of absolute poverty and relative poverty

c) Causes of changes in absolute poverty and relative poverty

- [Wealth Inequality: The Facts](#), Ryan Bourne, 2015

- [The death and rebirth of relative poverty figures](#), Christopher Snowden, 2015

- [Redefining the Poverty Debate](#), Kristian Niemietz, 2012

- [The rich get rich and the poor get... richer!](#), Spring 2015

- [The Long March of the Poor](#), Autumn 2016

4.2.2

- [The Inequality Puzzle](#), Spring 2015

- [Regulation not the](#)

- [Latin America: A tale of](#)

- [How China became](#)

Inequality

a) Distinction between wealth and income inequality

b) Measurements of income inequality:
- the Lorenz curve
(diagrammatic analysis)

- the Gini coefficient

c) Causes of income and wealth inequality within countries and between countries

d) Impact of economic change and development on inequality

e) Significance of capitalism for inequality

[- The World is Becoming More Equal, Spring 2015](#)

[- Thatcherism: the rich got](#)

[richer, the poor got poorer?, Autumn 2016](#)

[Answer to Child Labour, Tim Congdon, 2005](#)

[two continents, Diego Zuluaga, 2015](#)

[Capitalist](#)

4.3 Emerging and developing economies

4.3.1

Measures of development

a) The three dimensions of the Human

Development Index (HDI) (education, health and living standards) and how they are measured and combined
b) The advantages and limitations of using the HDI to compare levels of development between countries and over time
c) Other indicators of development

4.3.2 Factors influencing growth and development

a) Impact of economic factors in different

countries:

- primary product dependency
- volatility of commodity prices
- savings gap: Harrod-Domar model
- foreign currency gap
- capital flight
- demographic factors

[- India: a recipe for growth, Spring 2014](#)

[- Pension Provision: Government Failure around the world, Prof. Philip Booth, 2008](#)

[- The social role of banks is banking, Prof. Philip Booth, 2015](#)

[- Professor Easterly discusses the role of institutions in development](#)

[- The economic case against patents, Mikko Arevuo, 2015](#)

[- High Speed 2: the Next Government Project Disaster?, Kyn Aizlewood and Richard Wellings](#)

[- High Speed 2: the Next Government Project Disaster?](#)

- debt
 - access to credit and banking
 - infrastructure
 - education/skills
 - absence of property rights
- b) Impact of non-economic factors in different countries

4.3.3
Strategies influencing growth and development

a) Market-orientated strategies:

- trade liberalisation
- promotion of FDI
- removal of government subsidies
- floating exchange rate systems
- microfinance schemes
- privatisation

- Myth conception: foreign

aid is the key to well-being, Autumn 2016

- Doing Business: Singapore

Style, Spring 2014

- Barriers to prosperity - developing countries and the need for trade liberalisation, Sushil Mohan et al., 2012

- Fair Trade Without the Froth, Sushil Mohan, 2012

- Protectionism is an economic blind alley, Tom Papworth, 2011

- Why Childcare subsidies have been ineffective, Len Shackleton, 2014

b) Interventionist strategies:

- development of human capital

- protectionism

- managed exchange rates

- infrastructure development

- promoting joint ventures with global companies

- buffer stock schemes

c) Other strategies:

- industrialisation: the Lewis model

- development of tourism

- development of primary industries

- Fairtrade schemes

- aid

- debt relief

d) Awareness of the role of international institutions and non-

government organisations (NGOs):

- World Bank

- International Monetary Fund (IMF)

- NGOs

- Industrial Strategy: The Hand of Government or the Invisible Hand?, Len Shackleton and Ryan Bourne, 2016

- Sea Change: How markets & property rights could transform the fishing industry, Dr Richard Wellings, 2017

4.4 The financial sector

4.4.1 Role of financial markets

- a) To facilitate saving
- b) To lend to businesses and individuals
- c) To facilitate the exchange of goods and services
- d) To provide forward markets in currencies and commodities
- e) To provide a market for equities

[- The Case Against a Financial Transactions Tax, Tim Worstall, 2011](#)

4.4.2

Market failure in the financial sector

- a) Consideration of:
- asymmetric information
 - externalities
 - moral hazard
 - speculation and market bubbles
 - market rigging

[- Fifty Economic Fallacies Exposed, Ch. 9, Geoffrey E. Wood, 2014](#)

[- Ronald Coase: as relevant as ever, Len Shackleton, 2015](#)

4.4.3

Role of central banks

a) Key functions of central banks:

- implementation of monetary policy
- banker to the government
- banker to the banks - lender of last resort
- role in regulation of the banking industry

[- QE and the Rich, Spring 2014](#)

[- Britain's Baker's Dozen of Disasters, Peter Clarke and Robert C. B. Miller, 2015](#)

[- Central Banking in a Free Society](#)

[- Stephanie Flanders on the ECB](#)

[- Making it Happen: Fred Goodwin, RBS and the men who blew up the British Economy](#)

4.5 Role of the state in the

macroeconomy

[- Sharper Axes, Lower Taxes: Big Steps to a Smaller State, Philip Booth, 2011](#)

4.5.1

Public expenditure

a) Distinction between capital expenditure,

[- The UK productivity puzzle - or is it?, J. R. Sargent, 2013](#)

current expenditure and transfer payments

b) Reasons for the changing size and composition of public expenditure in a global context

c) The significance of differing levels of public expenditure as a proportion of GDP on:

- productivity and growth
- living standards
- crowding out
- level of taxation
- equality

[- Thatcherism and British Living Standards, Kristian Niemietz, 2013](#)

4.5.2

Taxation

a) Distinction between progressive, proportional and regressive taxes

b) The economic effects of changes in direct and indirect tax rates on other variables:

- incentives to work

[- Aggressively Regressive: The 'sin taxes' that make the poor poorer, Chris](#)

[Snowdon, 2013](#)

- tax revenues: the Laffer curve
- income distribution
- real output and employment
- the price level
- the trade balance
- FDI flows

4.5.3

Public sector finances

- a) Distinction between automatic stabilisers and discretionary fiscal policy
- b) Distinction between a fiscal deficit and the national debt
- c) Distinction between structural and cyclical deficits
- d) Factors influencing the size of fiscal deficits
- e) Factors influencing the size of national debts
- f) The significance of the size of fiscal deficits and national debts

[- Diffusing the debt time bomb: challenges and solutions, Prof. Philip Booth and Ryan Bourne, 2014](#)

[- Diffusing the debt time bomb: the challenge, Ryan](#)

[Bourne, 2014](#)

[- The Government Debt Iceberg, Jagadeesh](#)

[Gokhale, 2014](#)

**4.5.4
Macroeconomic
policies in a global
context**

- The Poverty
Industry
Trap, Summer 2013

**a) Use of fiscal policy,
monetary policy,
exchange rate policy,
supply-side policies and
direct controls in
different countries, with
specific reference to the
impact of:**

Prosperous... a
better place for the
poor to be, Spring
2016

- measures to reduce fiscal deficits and national debts
- measures to reduce poverty and inequality
- changes in interest rates and the supply of money
- measures to increase international competitiveness

**b) Use and impact of
macroeconomic policies
to respond to external
shocks to the global
economy**

**c) Measures to control
global companies'**

- Distracting from
poverty relief:
Oxfam report
debunked

- What is the best
way to measure
poverty in Britain?

(transnationals')

operations:

- the regulation of

transfer pricing

- limits to government

ability to control

global companies

d) Problems facing

policymakers when

applying policies:

- inaccurate information

- risks and uncertainties

- inability to control

external shocks

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