**MICROECONOMICS**

**PUBLIC GOODS AND PROPERTY RIGHTS CRIB SHEET (1.5-3 Hours)**

**TASK 1 (40 Mins): Read and Watch the Following Inputs to refresh your memory!**

* **10 mins:** Read the article – ‘Evaluating Public Goods as a Market Failure’
* **20 mins:** Read the article – ‘Property Rights and Public Goods’
* **10 mins:** Watch this video - <https://www.youtube.com/watch?v=3midaQqm7NM&index=18&list=PL8dPuuaLjXtPNZwz5_o_5uirJ8gQXnhEO&t=0s> on marginal analysis

**TASK 2 (45m to 2.25hours): Answer the following questions in the following way**

* **FIRSTLY, try to answer it without notes using recall**
* **SECONDLY refer to your notes/revision worksheets.**
* **THIRDLY, refer to pages 141-143; 148-149; 155-157 in your textbook**

**PUBLIC AND QUASI-PUBLIC GOODS**

* What is the difference between private goods and public goods (explain rivalry and excludability concepts)?
* Explain why goods such as streetlighting and a nuclear deterrent are considered to be public goods whereas apples and cars are considered to be private goods?
* Explain why the market fails if there are pure public goods? (use words like ‘full market failure’ and ‘missing markets’)
* What are ‘quasi public goods’? Use two examples to illustrate your answer.
* Using the concept of ‘technology’, explain why some may argue that pure public goods do not really exist?
* How can the Government solve the market failure of a pure public good and what might be the Government Failures?
* Use public good theory to explain why there is Road Congestion and a lack of Flood Defences

**LACK OF PROPERTY RIGHTS**

* What are property rights and why are they important to the functioning of the market?
* Using the case study of over fishing, explain what the ‘tragedy of the commons’ is.
* Explain Coases’ Theorem and explain why it would work in theory and why in reality it would be hard to accomplish (refer to concept of ‘transaction costs’) in terms of the overfishing issue in the documentary you watched.
* How might the Government solve the problem of ‘overfishing’ – state two possible interventions, explain why they would work and why they wouldn’t (Government Failure).

**MACROECONOMICS**

**BALANCE OF PAYMENTS AND EXCHANGE RATES (1.5-3 Hours)**

**TASK 1 (40 Mins): Read and Watch the Following Inputs to refresh your memory!**

* **11mins:** Watch this video - <https://www.youtube.com/watch?v=geoe-6NBy10&index=15&list=PL8dPuuaLjXtPNZwz5_o_5uirJ8gQXnhEO&t=0s> on exchange rates
* **12 mins:** Watch this video <https://www.youtube.com/watch?v=bel_y5ka80M> on the balance of payments
* **8 mins:** Watch this video <https://www.youtube.com/watch?v=xLJEAdgDI5w> on the balance of payments

**TASK 2 (45m to 1.5hrs): Answer the following questions in the following way**

* **FIRSTLY, try to answer it without notes using recall**
* **SECONDLY refer to your notes/revision worksheets.**
* **THIRDLY, refer to pages 322 to 354 In your textbook**

**BALANCE OF PAYMENTS**

**Balance of Payments Introduction**

1. Quick overview of the different accounts (1) Current Account (2) Financial Account (3) Other (consisting of Capital Account, Foreign Reserves)
2. If the balance of payments is supposed to equal zero (and therefore be in equilibrium), what can it mean when the balance of payments is in ‘disequilibrium’?
3. If the current account is in deficit, what effect can this have on the macroeconomy (so domestic indicators like economic growth, unemployment and price levels)?
4. If the current account is in surplus, what effect can this have on the macroeconomy?

**Balance of Payments Crisis**

1. What is a balance of payments crisis? Use a real life example to illustrate your answer.
2. How might exchange rates prevent a long run BoP deficit from occurring? (provide a full analysis; more than just ‘exchange rate would depreciate’)
3. Why might exchange rates NOT prevent a long run BoP deficit from occurring? J-CURVE!!!????
4. Why might developing countries be particularly vulnerable to a BoP deficit?
5. Why have countries like the UK and USA who have had persistent deficits for around thirty years not had balance of payments crisis’?
6. Why might Greece facing a painful adjustment to it’s current account deficit as it is part of the Euro?
7. Countries like Greece are unable to devalue their currency as they are part of a fixed exchange rate system in that they have the Euro. How have countries like Greece been forced to reduce their balance of payments deficit instead (think ‘Austerity’) and why has this caused problems in the country?

**Balance of Payments and Government Policy**

1. Evaluate whether the UK will suffer a Balance of Payments Crisis in the next five years? Remember to put both arguments for and against with a conclusion – a table might be a suitable way to present this?
2. How could the UK Government control the Balance of Payments and prevent a crisis? For each possible action, explain why there might be a problem with this approach.

**EXCHANGE RATES**

**Effects of exchange rates RECAP**

* explain how a weakening pound might affect the macroeconomy of the UK (looking at each of the four macro indicators)

**Floating Exchange Rate Systems - Exchange Rate Determination in the Short Run**

* Provide a brief overview of the FOREX markets
* Explain, using a supply and demand diagram, how currencies can be affected by changes in exports (demand) and changes in imports (supply) within a country
* Explain how the following factors might also influence the exchange rate for a country. No need for a diagram but display your answers perhaps in a table with explanation:
  + Interest rates from the countries central bank
  + Domestic Inflation
  + Inflation in another country
  + Confidence in the Government of the country (affected by things like levels of debt, strength of Government, the way they dealt with external shocks to the economy etc.

**Fixed Exchange Rate Systems – Exchange Rate Determination in the Short Run**

* Provide a brief overview of the ‘Gold Standard’, ‘Bretton Woods’ and the ‘Exchange Rate Mechanism’ from the point of view of the UK Economy – describe how these fixed or semi-fixed systems (managed) worked and why they were worked and why they did not in the end.
* Explain, using a diagram, how fixed exchange rates work

**Purchasing Power Parity Theory – Exchange Rate Determination in the Long Run**

* What is the PPP theory? Refer to the long run and the difference between the nominal and real exchange rates.
* How is the PPP exchange rate calculated?
* What is the ‘Big Mac’ Index? Provide some detailsl.
* Why are some economists skeptical of this theory?

**Evaluating floating and fixed exchange rates**

Draw a table, explaining the key arguments for and against each system.