

- 4 (a) Define 'consumer prices index'. [2]
- A measure of the change in the price level/rate of inflation (1).
 - A weighted measure or identification of another feature e.g. based on prices paid by households/prices of a basket of goods and services/uses a base year (1).

- 7 (a) Define 'developed country'. [2]
- A country with a high GDP per head/high income (1).
 - A country with high living standards/long life expectancy/high savings ratio/high levels of education/high levels of health care/a high proportion of workers employed in the tertiary sector/high productivity (1).

- 4 (a) Define 'multinational company'. [2]
- a company that has its headquarters/is based in a country (1) but produces in a number of countries (1)

- 7 (a) Define 'recession'. [2]
- fall in a country's output/GDP (1) over a period of six months/two successive quarters (1)

- 5 (a) Define 'unemployment'. [2]
- People without jobs (1) who are willing/able to work/who are members of the labour force/economically active (1)

- 6 (a) Define 'death rate'. [2]
- The number of deaths per 1,000 of the country's population per year (2)
The number of deaths per 1,000 of the country's population (1)

- 7 (a) Define 'monetary policy'. [2]
- Decisions on interest rates (1) the money supply (1) the exchange rate (1)

- 2 (a) Define 'inflation'. [2]
- A sustained /over time (1) rise in the price level (prices). (1)

- 3 (a) Define 'regulation'. [2]
- Rules/laws/controls (1) which are designed to influence the behaviour of firms/people. (1)

- 7 (a) Define 'exchange rate'. [2]
- The price (value) of a currency/how much a currency is worth (1) in terms of another currency/currencies. (1)

Note: allow 1 mark for an example e.g. £1 = \$2.

6 (a) **Define 'regressive tax'.** [2]

A tax that takes a higher proportion of the income of the poor. (2)

A tax that falls more heavily on the poor. (1)

7 (a) **Define 'a progressive tax'.** [2]

A tax that takes a higher proportion as income rises (2).

A tax that falls more heavily on the rich (1).

2 (a) **Giving an example, define 'a sales tax'.** [2]

- A tax on spending/an indirect tax/ a tax on goods and services/ a tax on consumers (1)
e.g. VAT, GST, a tax on a specific product e.g. petrol (1).

7 (a) **Define 'absolute poverty'.** [2]

- A lack of access to basic necessities (1) e.g. food/clothing/housing (1)
- Living on less than e.g. US\$1.25 a day (1)

4 (a) **Define 'deflation'.** [2]

A fall (1) in the price level (1)

Or:

An increase in the value (1) of money (1).

5 (a) **What is meant by 'tax'?** [2]

- a payment/finance (1) to the government/local authority (1) example e.g. sales tax/
income tax (1)

Define the 'Human Development Index'.

A measure of living standards/quality of life (1) includes income per head, education and life expectancy (two of these three) (1) calculated by the UN (1).

Define *protectionism*.

Protectionism is the deliberate attempt to limit imports or promote exports / make foreign products less competitive (1) have trade restrictions (1).

Define *Gross Domestic Product*.

The (total) output/income/expenditure (1) of a country/economy (1).

Define *a floating foreign exchange rate*.

The price of a currency (1) determined by market forces (1).

Define *supply-side policy*.

Policy which is designed to increase the total (aggregate) output / supply / productive capacity of an economy (2).

Policy aimed at making markets work more efficiently (1) to encourage economic growth (1).

Define *budget deficit*.

Government spending exceeding (1) government (tax) revenue (1).

Define *cyclical unemployment*.

- Workers without jobs (1)
- due to a lack or fall in total (aggregate) demand (1)
- more people unemployed than there are job vacancies (1)
- in a recession / economic downturn (1).

Define *structural unemployment*.

Workers without jobs (1)

Unemployment due to a change in the structure of the economy / change in demand and supply conditions / decline of some industries (2) lack of the appropriate skills (1) lack of labour mobility (1).

Define *economic growth*.

An increase in the country's / economy's output (2).

An increase in real (1) GDP (1) over time (1).

An increase in output (1).

An increase in a country's / economy's productive capacity (2).

An increase in productive potential (1).

Define *the labour force*.

- Those who are economically active (2).
- Those willing (1) and able to (work) (1).
- The employed (1) and the unemployed (1).

Define *redistribution of income*.

Transfer of income from some individuals (1) to others (1).

Tax taken from the rich (1) is spent on the poor (1).

Progressive / regressive taxation (1)

What is used to measure a country's inflation rate?

CPI / RPI / other relevant named measure (2)

A weighted (1) price index (1)

- 5 (a) **Define 'fertility rate'.** [2]
- Average number of children (1) a woman gives birth to (1).
 - The number of children born per 1000 women (1) of child bearing age (1).
- 3 (a) **Define 'price elasticity of supply'.** [2]
- A measure of the responsiveness of supply to a change in price/formula: percentage change in quantity supplied divided by percentage change in price (2).
 - How price affects supply/change in supply divided by change in price (1).
- 6 (a) **Giving an example, define the factor of production 'land'.** [2]
- Example (1) Natural resources/gifts of nature (1).
- 2 (a) **Define 'opportunity cost'.** [2]
- (next) best alternative (1) forgone (1)
- 3 (a) **Define 'equilibrium price'.** [2]
- the price which equates demand and supply (2)
 - market clearing price (1) which ensures no surplus or shortage (1)
 - the price which will not change (1) unless market conditions change (1)
- Note: award 2 marks if they show a correct diagram showing demand = supply
- 6 (a) **Define 'horizontal integration'.** [2]
- A merger/takeover between firms (1) producing the same product at the same stage of production. (1)
- 2 (a) **Define 'demand'.** [2]
- the willingness (1) and ability to buy a product (1)
- 7 (a) **Define 'mixed economy'.** [2]
- an economy with a private sector (1) and a public sector (1)
 - a mix of both free market (1) and planned economies (1)
 - resources allocated by both the price mechanism (1) and government decisions/consumers and government deciding what is produced (1)
 - some prices determined by market forces (1) and some by directives/the government (1)
- 2 (a) **Define 'resources'.** [2]
- factors of production/inputs (1) used to produce goods and services (1)
 - identification of type of factor of production – land (natural resource), labour (human resource), capital, entrepreneur (1)

- 3 (a) Define 'supply'. [2]**
- The willingness (1) and ability to sell a product/good(s) or service(s) (1)
 The idea of making a product available/putting it on the market/producing a product (1)
- 4 (a) Define 'productivity'. [2]**
- Output per worker/factor (1) per hour/time period (1)
- Note: second mark is dependent on the candidate gaining the first mark.
- 5 (a) Define 'medium of exchange'. [2]**
- A form of money (1) that is used to buy and sell products (1) generally acceptable (1)
- 6 (a) Define 'capital good'. [2]**
- A human-made good (1) used to produce other goods and services (1) example e.g. machinery (1).
- Note: do not accept money as an example.
- 2 (a) Define a 'stock exchange'. [2]**
- An organisation/market for the sale and purchase of shares (and securities/stocks) (2).
 An organisation where shares are sold/buying and selling of shares (1).
- 3 (a) Define a 'monopoly'. [2]**
- A market with one seller/single seller/supplier/producer (2).
 A price maker/a firm with market power/dominant firm/large market share/has barriers to entry (and exit) (1).
- 6 (a) Define an 'export quota'. [2]**
- A limit (1) on the quantity/value that can be exported/designed to keep products in the country/designed to keep domestic prices low (1).
- 5 (a) Define 'market failure'. [2]**
- Where the market forces of demand and supply (1) do not achieve efficiency (1)
 - When social costs are greater than social benefits (1) example of external cost e.g. monopoly or external benefit e.g. merit or public goods (1)
- 4 (a) Define 'capital-intensive'. [2]**
- A production method that uses a large proportion of capital (1) relative to labour (1).

5 (a) Define 'a weighted price index'. [2]

- A measure of changes in the price level/measure of inflation (1) which takes into account the different proportions spent on items in a basket of goods and services (1).

7 (a) What is meant by scarce resources? [2]

- Factors of production (1) that are limited in supply (1).

2 (a) Giving an example, define 'complements'. [2]

Two products that are used / consumed together (1) as demand for one product increases, demand for the other product increases (1) e.g. laptops and printers or coffee and milk (1).

3 (a) Identify two risks that entrepreneurs have to bear. [2]

1 mark for each of two risks identified e.g.:

- a rival bringing out a better product
- demand decreasing due to falling incomes
- costs rising.
- risk of failure / losses / bankruptcy

6 (a) What is meant by an inflation rate increasing? [2]

The price level increasing (1) by a greater percentage/higher rate (1).

7 (a) Define 'absolute poverty'. [2]

- A lack of access to basic necessities (1) e.g. food/clothing/housing (1)
- Living on less than e.g. US\$1.25 a day (1)

2 (a) Define 'a trade union'. [2]

An association / body / organisation/group of people (1) which represents workers / members (1).

6 (a) Define 'the rate of interest'. [2]

A charge / cost (1) for borrowing money (1).

Or:

The reward (1) for saving (1).

Or

A monetary policy measure (1) set by the central bank (1).

7 (a) Define 'a depreciation in the value of an exchange rate'. [2]

A fall in the value (1) of a floating exchange rate (1) compared to other currencies e.g. US\$ (1).

Define 'balance of payments'.

Record of economic transactions (1) with other countries (1).
Includes current account, capital account and financial account (2).
Exports – imports (1).

Define a 'standard for deferred payments'.

A function of money that enables people to borrow (1) pay back at a later date (1) and to lend (1).
The function of money that enables a price/interest rate to be set on the amount a borrower will pay (1) that a lender will earn (1).

Define the 'secondary sector' and give an example.

Manufacturing/turning raw materials into goods (1) e.g. car production, house building (1).

Define 'price-inelastic demand'.

When demand changes by a smaller percentage (1) than the change in price (1) when PED is less than 1 (1).

Define 'conglomerate integration'

A merger (1) between firms producing different products (1).

Define 'Central Bank'.

A government owned bank (1) acts as bank to government (1) acts as bank to commercial banks (1) operates monetary policy (1) lender of last resort (1) sets inflation target(s)/sets rate of interest (1).

Define 'free trade'.

Trade without restrictions/having no barriers (1) example of a trade restriction (1) without intervention of governments (1).

Define 'perfect competition'.

Very high level of competition (1) firms are price takers (1) many buyers and sellers (1) free entry and exit (1) homogeneous / same product (1) perfect information (1)

Define a 'subsidy'.

A payment by e.g. a government (1) to reduce production costs (1) to increase output (1) to improve quality (1) reduce prices for consumers (1).

Define 'average costs'.

Total cost divided by output (2).
Cost per unit / average fixed cost plus average variable cost (1).

Define 'specialisation'.

The concentration/focus (1) on one task/product / what they are best at (1).

Define 'devaluation'.

A fall in the value (1) of the currency (1) in the case of a fixed exchange rate/caused by government decision / against other currencies (1).

Define 'trade protection'.

Protecting domestic firms (1) from foreign competition (1).

Helping domestic firms (1) to face foreign competition (1).

Implementing trade barriers (1).

Deliberate attempt to limit imports (1).

Government action (1) that restricts international trade (1).

Define a *fixed cost*.

A cost that does not change with output/has to be paid even if no output produced (1) in the short run/example (1).

Define a *state-owned enterprise*.

A firm owned by the government/a nationalised industry (2).

A firm in the public sector (1).

Define *perfectly inelastic supply*.

A change in price causes no change in supply (2).

Correct formula (1).

A PES of 0 (1).

Define *economies of scale*.

A fall in average costs (1) resulting from an increase in output/scale of production (1).

Define *net immigration*.

More people coming to live in the country than leaving the country to live elsewhere (2).

The number of immigrants exceeding emigrants (2).

The difference between immigration and emigration (1).

People coming to live in the country (1).

Define a *substitute* and give an example.

A rival product / a product that can be used instead of another (1) e.g. bus travel and car travel / oranges and apples (1).

Define *commercial bank*.

Two marks from:

A financial institution (1) that offers services to people/households/firms (1) *examples of services* (1) that is profit orientated (1) (usually) in the private sector (1).

Define *private cost*.

Private costs are costs borne by those producing the product (1) consuming the product (1) example of such a cost (1) social costs – external costs (1).

Define *earnings*.

Income / money received by a factor of production (1) received from working / payment to workers (1) includes wages/salaries (1) overtime payments / bonuses / commission (1). income from other sources e.g. undertaking financial investment / renting / running a business (1).

Define *total revenue*.

Price \times quantity (2).

Total cost plus total profit/total cost minus any loss (2).

The amount received (1) from selling a product (1).

Define *social benefit*.

The total benefit to society of an economic activity or external benefit + private benefit (2).

A beneficial effect on society (1).

Define *a market*.

An arrangement that brings buyers and sellers into contact / products are bought and sold (2).

Buyers (1) sellers (1).

Example of the purchase and sale of products (1).

Define *a loss*.

Costs exceed revenue (2).

Insufficient revenue / costs too high (1).

Define *social cost*.

Social cost is equal to the sum of private costs (1) and external costs (1).

Cost to the entire society (1).

Define *labour*.

The human factor of production (1) mental and physical effort (1) required for production (1).

Define *industry*.

Firms (1) that produce the same product (1) example (1)

Define *choice* and provide an example.

Two or more different alternatives that an economic agent may have OR the idea of sacrifice and opportunity cost (1) different coloured bicycle helmets / any example (1).

Define *tertiary sector* and give an example of an industry operating in the tertiary sector.

Services (1) e.g. banking (1).

Define *saving*.

- ∞ Income (1) not spent / minus spending (1).
- ∞ Putting money in the bank (1) for future use (1).

Define *wages*.

- ∞ A payment (1) to a worker (1).
- ∞ Amount earned (1) by labour / employees (1).
- ∞ Reward (1) for labour (1).

Define *a trade in services deficit*.

- ∞ Imports of services being greater than exports of services (2).
- ∞ A deficit on a section of the balance of payments (1).

Define *maximum price*.

A price that producers cannot charge above / a price ceiling (1) set by the government (1).

Define *economic good*.

There is an opportunity cost involved in producing the good (1) as it takes resources to produce it (1).

Define *gender distribution*.

The number of males compared to the number of females in the population / the ratio of males to females in the population (2).

The sex distribution / sex ratio (1).

Define *macroeconomics*.

The study of the whole economy (2).

Example of a macroeconomic topic e.g. unemployment/study of economics on a large scale (1).

Define *external costs*.

Harmful effects (1) on third parties (1).

Social costs – private costs (1).

Define *profit maximisation*.

When a firm produces at the level of output (1) which makes the highest profits for the firm (1).

When a firm produces where the gap between TR and TC (1) is largest (1).

Reward, but do not expect, produce at a point where $MC = MR$

Define *market failure*.

Market failure is when the market mechanism / price mechanism / demand and supply (1) does not lead to an efficient allocation of resources (1).

Define *trade in goods balance*.

Value of exports of goods / revenue earned from exports minus value of imports of goods / expenditure on imports of goods (2).

Exports minus imports (1) of goods / visible items (1).

Define *demerit good*.

A product which is more harmful to consumers than they realise / the government considers is more harmful (2).

It is over-consumed / overproduced (1) it creates external costs (1).

A product that is harmful (1).

Define *microeconomics*.

Study/analysis of or focus on individual markets / economic agents e.g. individuals, households, and firms (2).

Study of economics on a small scale, e.g. demand for cars (1).

Demand and supply for individual products/markets (1).

Define *privatisation*.

The sale of state-owned assets / state-owned enterprises / nationalised industries (1) to the private sector / individuals (1).

Define *deregulation*.

The removal of rules/regulation (2).

Less government intervention (1) to encourage competition (1).

Actions making it easier for businesses to enter / operate in an industry (1).

Supply-side policy (1) to increase competition (1).

Define *investment*.

Investment is spending (1) on capital goods (1) to increase output (1).

Define economic development.

When there is an increase in standards of living of the people of a country / quality of life / economic welfare (2).

Increase in income per head / average income/GDP per head / education / healthcare / HDI (1).

The process by which low-income economies become high-income economies (1).

Movement from primary towards the secondary and tertiary sectors (1).

Define *finite resource*.

A resource is an aid to production (1) which is limited in supply (1) it cannot be replaced over time / fast enough / will run out (1) to keep pace with consumption (1).

Define market disequilibrium.

When quantity demanded does not equal quantity supplied (2).

When there are shortages (1) or surpluses (1) of a product.

Define *division of labour*.

Workers specialising (1) in particular tasks / repeating the same task (1).

Breaking down production into different / separate tasks (1) using different workers for the different tasks (1).

What is a possible opportunity cost of working?

Opportunity cost is the (next) best alternative forgone (1).

Opportunity cost is leisure / education / retirement / raising a family (1).