

2.1 Measures of Economic Performance

Economic Growth

- i. What is Gross Domestic Product?
- ii. Explain the difference between Real and Nominal GDP, giving an example where we might want to use each
- iii. Explain the difference between total and per capita GDP, giving an example where we might want to use each
- iv. Explain the difference between value and volume of, for example, exports
- v. Explain the difference between GNP and GNI
- vi. Why must we be careful when comparing GDP across different countries?
- vii. Why must we be careful when comparing GDP over time?
- viii. What is meant by 'Purchasing Power Parity'?
- ix. Why might PPP be useful?
- x. How is the ONS National Wellbeing indicator measured?
- xi. What does the Easterlin Paradox show?
- xii. Suggest why this might be the case
- xiii. Explain what happened to GDP and life satisfaction between 2007 and 2014 (see PMT)

Inflation

- i. What is inflation?
- ii. What is deflation?
- iii. What is disinflation?
- iv. Explain how CPI is calculated
- v. Give 3 limitations of CPI as a measure of inflation
- vi. How often is CPI and RPI calculated?
- vii. Approximately how many goods and services are in the basket?
- viii. At approximately how many locations are price data taken?
- ix. How often are weightings updated?
- x. Give an example of 1 product that has been added to the basket over the last year and 1 which has been removed
- xi. Explain the difference between CPI and RPI
- xii. Which is higher?
- xiii. What is CPIH?
- xiv. Explain what is meant by 'cost push' inflation
- xv. Give 3 possible causes of cost push inflation
- xvi. Explain what is meant by 'demand pull' inflation
- xvii. Give 3 possible causes of demand pull inflation
- xviii. Explain how growth in the money supply can cause inflation
- xix. Explain what is meant by 'menu costs'
- xx. Explain what is meant by 'shoe leather costs'
- xxi. Explain the effects of inflation on consumers/workers
- xxii. Explain the effect of inflation on firms
- xxiii. Explain the effect of inflation on the government
- xxiv. Explain possible benefits of inflation
- xxv.

Employment and Unemployment

- i. What is meant by 'unemployment'?
- ii. What is the Claimant Count?
- iii. Give a reason why this may not be accurate
- iv. What is the ILO measure of unemployment?
- v. Give a reason why this might not be accurate
- vi. Which of the two measures is typically higher and why?
- vii. What is meant by 'underemployment'?
- viii. Why did this become more relevant post-Financial Crisis?
- ix. What is meant by 'employment'?
- x. What is meant by 'economically inactive'?
- xi. What is the difference between the population of a country and its labour force?
- xii. Why do we find that Employment and Unemployment sometimes rise at the same time?
- xiii. What are the current retirement ages in the UK?
- xiv. What is a 'discouraged' worker?
Bonus: What is meant by hysteresis in this context?
- xv. What is 'structural unemployment'?
- xvi. What is 'frictional unemployment'?
- xvii. What is 'seasonal unemployment'?
- xviii. What is 'demand deficient-' or 'cyclical unemployment'?
- xix. What is 'real wage inflexibility'?
- xx. Which of these types of unemployment is most likely to result in long term unemployment?
- xxi. How would a lack of skills in an economy effect the unemployment rate?
- xxii. What is meant by 'net inward migration'?
- xxiii. What is the likely effect of 'net inward migration' on employment rates?
- xxiv. What is the likely effect of 'net inward migration' on unemployment rates?
- xxv. How does unemployment affect the individual and his/her family?
- xxvi. How does unemployment affect consumers?
- xxvii. How does unemployment affect firms?
- xxviii. How does unemployment affect those remaining in work?
- xxix. How does unemployment affect government?
- xxx. How does unemployment affect society?
- xxxi. Why might we expect, or even desire, the unemployment rate of an economy to be above 0%?

Balance of Payments

- i. What is the Balance of Payments?
- ii. What are the four components of the balance of payments?
- iii. What is meant by a current account surplus?
- iv. What is meant by a current account deficit?
- v. When might a current account deficit be considered a problem?
- vi. How might a current account deficit affect unemployment?
- vii. How might a current account deficit affect inflation?
- viii. How might growth affect a current account balance?
- ix. Why can't all countries have a current account surplus at the same time?

Essay: Assess the effectiveness of the four macroeconomic indicators of economic performance in their ability to give a clear signal of strong economic performance.