Learn these by heart before the exam. 考试前把这些内容背熟。

The basic economic problem

Scarcity and choice 稀缺与选择: wants are unlimited but resources are finite, so choices must be made

Opportunity cost 机会成本: the next-best alternative given up when a choice is made

Factors of production: land, labour, capital, enterprise (earning rent, wages, interest, profit).

PPC (production possibility curve) 生产可能性曲线: shows the maximum combinations of two goods; a shift outward = economic growth

Markets, demand and supply

Demand and supply 需求与供给: demand falls as price rises; supply rises as price rises; the market clears where they cross (equilibrium)

Demand shifts with income, tastes, prices of other goods, population. Supply shifts with costs, technology, taxes, weather.

$$PED = \frac{\%\,\text{change in quantity demanded}}{\%\,\text{change in price}}$$

elastic if > 1 (luxuries), inelastic if < 1 (necessities) 需求价格弹性

If demand is inelastic, a firm raising price earns more total revenue; if elastic, it earns less.

The individual as producer, consumer and borrower

Money functions: medium of exchange, store of value, unit of account, means of deferred payment.

Banks accept deposits, lend, and enable payments; central banks issue currency and set interest rates.

Division of labour 分工: splitting production into specialised tasks; raises output but work can become repetitive

Wage differences reflect skills, qualifications, danger, and how much demand there is for the job.

The private firm and the government

Economies of scale 规模经济: as a firm grows, average cost per unit falls (bulk buying, machinery, specialisation)

Firm goals: profit, growth, survival, market share. Profit = total revenue − total cost.

Market failure 市场失灵: the market produces the wrong amount – e.g. pollution (negative externality) or too few public goods

Government aims: full employment, price stability, growth, fair distribution, balanced trade.

Policy tools: taxes and subsidies, spending, interest rates, regulation, price controls.

Economic indicators and the wider world

Inflation 通货膨胀: a sustained rise in the general price level, measured by the Consumer Price Index (CPI)

Gross Domestic Product (GDP) 国内生产总值: the total value of goods and services a country produces in a year; a measure of its output

Unemployment types: cyclical (recession), structural (industry decline), frictional (between jobs).

Trade: exports earn money in, imports pay money out; a deficit means imports exceed exports.

Exchange rate 汇率: the price of one currency in terms of another; a fall (depreciation) makes exports cheaper and imports dearer