

### Macroeconomics

- Macroeconomics focuses on the holistic view of an economy or a country

Macro based mostly on:

- Growth
- Price Level (Inflation)
- Labour Markets (unemployment)
- Balance in Foreign Sector

Macro policies include Monetary and Fiscal which influence economy spending. Can be used by government to balance trades or influence growth.

### Macro Micro

Macro	Micro
Focus on holistic level	Focus on individual level

GDP, GNP, Spending of economy	Needs, buying habits of individual consumer
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<i>Example:</i> Studying how implementing stabilization policy affects economy expenditure	<i>Example:</i> Studying how firms react to increasing costs of production by raising the price and subsequently how consumers spending adjusts to new prices
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### Factors of Production

The factors of production are inputs that are used in the production of goods or services.

These are primarily

- Land
- Labour
- Capital
- Enterprise/Entrepreneurship

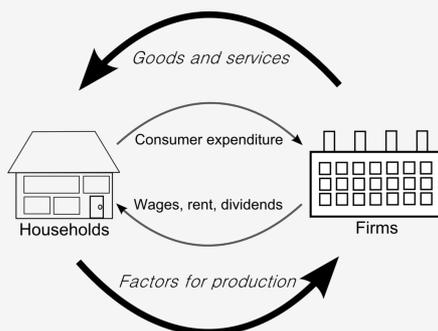
### Basic Economic Problem

Fundamental economic problem is **Scarcity Unlimited Wants** of consumers

**Limited Resources** available

- It is the duty of entrepreneurs and businesses to use efficient allocation of f.o.p.'s to minimize the problem of Scarcity

### Circular Flow of Income



### Strong Economy

**Why UK wants a strong economy**

- GDP/GNP Increase
- Maintain international reputation
- Improved infrastructure
- Attracts F.D.I.
- B.O.P. comes down
- Demand for Exports
- Income Increases
- Lower unemployment

### Mergers and Takeovers

**Q - Identify differences b/w Merger and Takeover**

*Mergers*

- Three types of mergers (Vertical, Horizontal, Conglomerate)
- A and B unite to become C
- Example: Sony Ericsson

*Takeovers*

- Where A acquires B to become a bigger A
- Can be either hostile or friendly
- Hostile can include buying all shares of the target company
- Example Queen Consolidated

### Mergers and Takeovers (cont)

**Q - Discuss the benefits and drawbacks of Mergers and Takeovers**

*Benefits*

- Shared Knowledge
- Market Popularity
- Economies of Scale
- New Markets

*Drawbacks*

- May not be on same terms (hostile)
- Culture clash
- Layovers
- Inefficient Management

### Unemployment

**Q - Identify the different types of unemployment**

- Seasonal
- Cyclical
- Structural
- Frictional

**Q - Describe two ways to reduce unemployment**

- Better training provided for youth
- Government subsidies for entrepreneurs and small business

**Q - Two reasons why govt. wishes to reduce unemployment**

- Looks politically good in the international market
- Increased productivity and production capabilities
- Less burden on Medical and Healthcare facilities

### Opportunity Cost

Next best opportunity forgone.

*Example:* A consumer is given the choice of buying either a brand new iPhone or a Laptop. If the consumer chooses the iPhone, the Laptop is the **Opportunity Cost**

### Stabilization Policies

#### **Q - Describe the two Stabilization Policies and importance to business in UK**

##### *Stabilization Policy*

- Policies which seek to influence level of aggregate demand

##### *Monetary Policy*

- Influences aggregate demand by changing money supply and/or interest rates

##### *Fiscal Policy*

- Influences aggregate demand by changing government spending or tax rates

##### *UK Businesses*

- Using Fiscal Policy to reduce tax rates and encourage firms to produce more goods and services
- Lower interest rates attract entrepreneurs to take loans and invest in new businesses

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