

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

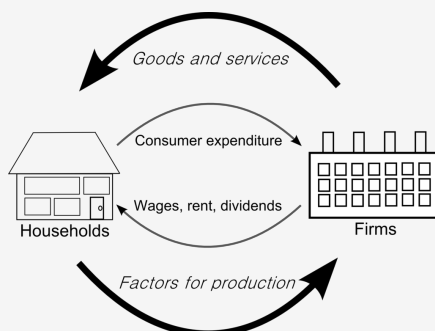
Basic Economic Problem

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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