

7.1 The global economy

Name: _____ Class: _____ Date: _____

Total: 23 marks

KEY WORDS globalisation • exchange rate

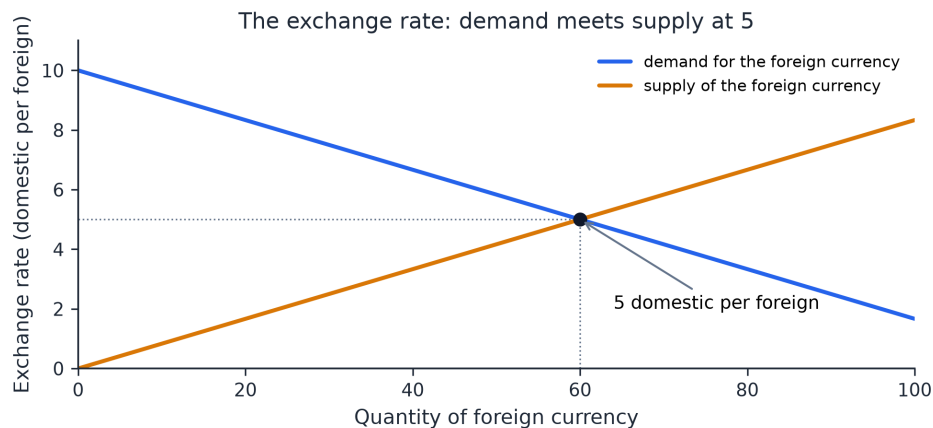
The global economy

Objective

Apply globalisation's causes and MNC/FDI effects, protectionism with the tariff arithmetic, and exchange-rate determination with both movement words (spec 2.2.1–2.2.3).

1 Key knowledge and worked examples

The global economy. Globalisation: fewer trade barriers, cheaper transport and communication, MNCs. Tariff on the shared model: world price 12 → imports 48; tariff 4 → price 16, imports 24, revenue 96, deadweight loss 48. Exchange model: demand meets supply at 5 domestic per foreign; import-demand growth → 6.5 = depreciation (import prices up, export prices abroad down). Appreciation/revaluation: market rise vs fixed-rate rise; depreciation/devaluation: market fall vs fixed-rate cut.



Original model; the rate and its shift are worked in the questions.

2 Practice

2.1 Define globalisation and name any three of its four reasons. [2]

2.2 State any three advantages and one disadvantage of MNCs/FDI for a host country. [2]

2.3 Name any four of the seven motives for protecting domestic industries. [2]

2.4 Distinguish a tariff from a quota. [2]

2.5 Distinguish appreciation from revaluation. [2]

3 Exam-style questions

3.1 (*Original.*) With $Q_d = 140 - 2P$ and $Q_s = 20 + 4P$ and a world price of 12, the government imposes a tariff of 4. Calculate the imports before and after, the government revenue and the total deadweight loss. [5]

3.2 (*Original.*) In the exchange model, demand for the foreign currency rises because imports grow. Explain, with the diagram, the effect on the exchange rate and on the current account. ^[4]

3.3 (*Original.*) Evaluate one argument FOR and one AGAINST a country joining a trading bloc. ^[4]
