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Cursor Parking Lot

Flashcards I found online

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Unit 2 - Microeconomics

Supply shift right / Increase in supply	India subsidising gas Supply of air travel increasing in the UK as more airline companies are joining
Supply shift left / Decrease in supply	Sugary drinks - UK sugar tax shifts supply curve to the left
Supply shock - supply shift to the left	May 2018 - Supply of vanilla ice cream shift to left - Price of vanilla rose to \$600 per kilogram because of cyclone in Madagascar which damaged a lot of the plantations
Excess demand (shortage)	Iraq invasion 2003, oil prices rose \$20 to \$35 a barrel in 2004, the war disrupted extraction of crude oil, reducing world supply
Excess supply	Oil, March 2020 → prices drop from \$135 per barrel to \$35 per barrel; producers lose \$1 trillion (due to lower demand)
High PED (elastic) goods	Luxury items - Gucci clothing
Low PED (inelastic) goods (2 examples)	Cigarettes have a PED between -0.4 and in USA The price of Daraprim (cancer drug) was increased by more than 50 times but demand barely changed, because it was a necessity.
Negative YED (inferior goods)	Second-hand clothing, house-brand goods, margarine, cheap goods, bus rides.
Low positive YED (income inelastic)	Most foods consumed at home have a low YED - about 0.2

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(normal good)	
High positive YED (income elastic) (luxury good)	Premium cars, boats, jewelry
High PES (elastic)	Taxi services, pens, smartphones,
Low PES (inelastic)	Nuclear reactors, fresh produce, gold, housing Cocoa: 0.07 (short-run), 0.57 (long-run)
Indirect tax	Singapore GST: 7% on all goods and services
Subsidy	US agricultural subsidies: \$20 billion per year Ensures steady domestic food supply, provides economic stability to farmers, increases international competitiveness China subsidising solar panel production, increased production by 25% US cotton producers subsidies
Price ceiling	India price ceiling on bare metal stents, implemented Feb 2017 Prior to cap, bare metal stents were selling for 650 USD, now capped at 100 USD. \$700 million of US exports could be adversely affected Rent in San Francisco, 1995-2012. Those renting since 1994 saved \$2.9 billion?. 15% of rent-controlled units removed from market; rent went up by \$2.9 billion for non-rent-controlled units
Price floor	Generally imposed to protect prices of agricultural products, which are unstable due to low PED. Thailand rice price floor set at \$500/ton (50% higher than market equilibrium price). Decrease in exports of rice, \$10bn loss of government revenue. Exports fell 35% because it was less competitive. 5% decrease in production after price floor reduced. Scotland alcohol - 7.7% reduction in sales, 10% reduction in alcohol-related deaths. Greater impact on lower-income households, and those who bought most alcohol Florida, 2009, 6% raise from \$6.79 to \$7.21 per hour → 4.6% increase in productivity
Legislation for positive externalities of consumption/merit goods	Vaccinations in Singapore - making it mandatory for children to get vaccine to enrol in school - done through legislation. 95%
Direct provision of	New Zealand national immunisation schedule, free vaccines

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merit goods	offered to reduce diseases and illness
Subsidised provision of merit goods to tackle underconsumption of merit goods	SG - Low-income Families are eligible to sign their children up for the Financial Assistance Scheme (FAS). Under the FAS, students get to enjoy subsidised school fees and transportation fees, and free textbooks. This increases the affordability of education in Singapore, effectively tackling the underconsumption of pre-tertiary education in Singapore that is caused by high income inequality.
Negative externalities of consumption	Singapore cigarette tax: 67.5% tax, \$1.3 billion in extra revenue annually, reduced smoking prevalence from 12% to 10%. Smoking healthcare burden estimated at \$600m. However the WHO recommends at least 70% → Singapore tax too low (YED of 0.4-0.5 in other countries) 57% of 10,000 participants cut back after anti-smoking campaign in 2014 (at least temporarily). Nicotine replacement technologies have a success rate of 15% China road space rationing: odd-even license plate scheme, 40% reduction in vehicle emissions
Sugar tax	2017 - about 20p per litre on sugary drinks in the UK, it has worked as many companies have changed their recipes to reduce sugar content in their drinks Mexico's 10% sugar tax cut sales by 12% in the first year of implementation. YED of 0.95-0.99
Positive externalities of production	Research & Development - Singapore, 2001: \$1 leads to \$15 increase in GDP in short run, \$90 in long run. Time lag of 5.2 years. \$25 billion spending in 2020
Positive externalities of consumption	China subsidised \$9800 to buyers of electric and hydrogen vehicles to combat rising air pollution Singapore free travel before 7:45: +0.4% increase in MRT trips PED of cars: 0.888, PED of public transport: 0.02 YED of cars: 1.39, YED of public transport: -0.26
Negative externalities of production (2 examples)	DuPont released harmful chemicals up until 2013 into the Ohio river, known to cause cancer. Currently facing lawsuit from the state of Ohio 16 of the top 20 most cities with worst air pollution are from China - due to factories, industrialization, surge in no. of motor

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	vehicles China subsidies \$9800 to buyers of electric and hydrogen vehicles to combat rising air pollution Any form of resource extraction that leads to pollution.
Advertising to promote consumption of merit goods	5-a-day programme run in Germany in line with WHO statement to eat 400 grams of fruits and vegetables per day
Common Access Resources (2 examples)	Coral harvesting in the Great Barrier Reef, government quota set at 200 tonnes but it is not sustainable Overfishing in Virginia for striped bass, currently in discussion to ban recreational fishing. 28% decrease in fishes removed after lower quotas
Public goods	National defence, street lighting, roads, public parks, sewer systems, law enforcement
Legislation to combat negative externalities of consumption	Singapore air pollution laws, vehicles must meet strict emission standards to be able to be used
Carbon tax	In 2012, Japan implemented a tax on all CO2 emissions from fossil fuels at a rate of 289 yen per tonne of CO2. All tax revenue used for reducing CO2 emissions, investing in clean tech Last month, Canada imposed a carbon tax of \$20 per tonne of carbon emissions
Cap and trade schemes	EU Emissions Trading System: since 2005, EU set cap on total amount of greenhouse gas emissions, can be traded and sold, total cap is reduced over time to reduce total emissions
Funding for clean technology	PUB, Singapore's national water agency funded and produced NEWater, which is recycled water, treating used water In 2013, Windcentrale, a Dutch company, crowdfunded \$1.3 million to invest in wind turbines to place in the centre of the Netherlands
Tragedy of the commons - California groundwater	https://legal-planet.org/2015/07/13/tragedy-of-the-commons-california-drought-style/ 1.1 ft subsidence, San Joaquin Valley

Unit 3 - Macroeconomics

GDP vs GNI stats	Developing countries have lower GNI than GDP, as much of their GDP is contributed by multinational corporations Bangladesh GDP 2017: 250 billion USD Bangladesh GNI 2017: 120 billion USD Half of Bangladesh's GDP is from foreign firms owning productive capacity in Bangladesh. This income is likely not spent in the country, so does not affect economic growth
Total GDP/GNI vs GDP/GNI per capita	India GDP: 2.6 trillion USD France GDP: 2.6 trillion USD India GDP per capita: 2,000 USD France GDP per capita: 38,000 USD
Green GDP	China measured Green GDP for one year, 2004. China GDP 2004: 1.9 trillion USD Environmental loss 2004: \$66 billion, or 3% of GDP Was considered to be too conservative, as it only took into account the costs of environmental pollution. Did not take into account costs of natural resource depletion, soil contamination, ecological damage China may have stopped measuring green GDP as it could have been politically damaging. 460,000 died prematurely from air and water pollution each year. Announced in 2015 that they will reintroduce green GDP to "holistically reflect" the environmental cost of economic activity
High and low unemployment	Spain: 14% unemployment (high job protection) Singapore: 2% unemployment (no minimum wage)
Frictional unemployment	Singapore has been restructuring the economy, shifting towards a digital economy aiming to incorporate technology to increase productivity. One reason for this is slow workforce growth and short supply of domestic workers. As the economy restructures, new jobs are created and some jobs are abolished, which results in frictional unemployment as people change jobs.
Structural unemployment	During Singapore's economic restructuring, MOM said "jobs and skills mismatches will continue to be a challenge".

(taken from https://docs.google.com/document/d/1RGbEY_03GzI74_E_myOT7sPjqBnpGa6VXpLGzpoXeIQGYw/edit)

	MySkillsFuture is a government program aimed at reskilling the workforce through training to gain skills that are in demand. Citizens are provided with credit that can only be used to go to a training programme.
Seasonal unemployment	Liberia: agriculture employs 70% of the population This would result in high seasonal unemployment, as most of the workforce is only required during peak periods, the harvesting and planting of crop support
Cyclical unemployment	2008 financial crisis sent many economies into recession, which increased cyclical unemployment In the US, before the financial crisis in Dec 2007, unemployment was 5%. At the end of the financial crisis in 2009, unemployment was 9.5%.
High inflation	Argentina: 50% Central bank increasing money supply by printing money to finance the government budget deficit, which creates inflation. The depreciation of the peso has worsened inflation, as imports become more expensive, domestic demand increases and firms have less incentive to cut costs
Cost-push inflation	Bulgaria - 77% dependence on Russian gas, and oil. Supply shock caused 15.6% inflation, economic growth fell from 8% to 4% Germany - 43% dependence on Russian gas, used for heating and power. Used as factor input. Supply shock caused 7.5% inflation, 0% economic growth Icelandic unions, demanding wage increases of 9.1%. Inflation targeted at 2.5% but projected to increase to 3.5% UK - 80% energy price increase, 10% inflation, -0.1% economic growth
Target inflation	Singapore, US, China - 2%
Deflation	Japan has been experiencing periods of deflation since the late 1990s, due to the declining, aging population, strict immigration laws, and declining productivity growth. Japan is utilising negative interest rates to make money available for cheaper, buying back bonds to increase money supply in the economy, and introducing new visas to allow blue-collar workers to emigrate to Japan Real wages remained at the levels they were in the 1990s by the early 2000s

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	• Unemployment increased from 2% to 5% • Overall low consumer and business confidence, which leads to low AD. Country is stuck in this trap where it is nearly impossible to increase the confidence of businesses and consumers despite multiple policy changes. Switzerland, 2013-2019; 1-2% economic growth despite up to -1% inflation
High economic growth	India, referred to as the world's fastest growing major economy, around 7%. Growing population, privatisation of oil, coal and airline, tax reform, all helped increase growth.
Low economic growth (2 examples)	Jamaica, 1.8% GDP growth rate. Heavy debt from the failure of state owned enterprises in the past, worsened by the financial crisis, led to high unemployment, currently around 9%, and slow economic growth. Eurozone growth is slowing. 1.9% growth in 2018, but only 0.2% growth from Q3 to Q4 of 2018. Projected growth for 2019 reduced to 1.3%. Reason: Italy entered recession, France low growth, trade tensions between US China and Europe, uncertainty over Brexit.
Equal distribution of income	Norway Gini Coefficient: 0.23 Public education, including university, is free so everyone has an equal opportunity to earn a high income. Progressive taxes, long term unemployment benefits help redistribute income.
Unequal distribution of income	South Africa Gini Coefficient: 0.63 Over half of population in poverty Income distribution is worsening, not enough new jobs are being created, and the jobs that are being created are high-skill jobs, not accessible to those in poverty. Effects of apartheid have also left many in a poverty trap, with no education and no low-skill job opportunities.
Expansionary fiscal policy	Barack Obama's economic stimulus package, ended the recession following the 2008 financial crisis. Cut taxes by \$290 billion, spent \$220 billion in unemployment benefits, allocated \$275 billion to federal contracts to create jobs. Helped build consumer confidence after the recession and reduce unemployment. GDP growth rose from -2.6% to 2.5% Goods and Services Tax (GST) cut in India (2019): The Indian government cut the GST on a number of goods and services in an effort to boost consumer demand and stimulate the economy, particularly in the wake of a liquidity crisis in the

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	non-banking financial sector.
Contractionary fiscal policy	Suggested by the IMF to Argentina when they made a deal in 2018. Higher taxes would allow Argentina to finance some of its debt, and lower government spending prevents worsening the debt Austerity measures in Greece (2010-2018): In response to the Greek debt crisis, the Greek government implemented a series of austerity measures aimed at reducing government spending and increasing revenue. The measures included cuts to public sector wages and pensions, increased taxes, and privatization of state-owned assets. The policy was mandated by the International Monetary Fund, the European Central Bank, and the European Commission in exchange for a bailout package to help Greece avoid defaulting on its debts. The austerity measures were highly controversial and led to significant social unrest and political instability in Greece
Expansionary monetary policy	Jamaica is employing expansionary monetary policy by reducing interest rates, currently slashed to 1.25%, in order to stimulate economic growth. The European central bank employed long-term expansionary monetary policy to stimulate economic growth, utilising 0% and negative interest rates of -0.4% after 2014 to encourage spending. 5% economic growth and inflation? The US Fed Reserve cut interest rates to 0. Q1 2020 GDP still fell by 33%, -0.4% inflation→ low confidence?
Contractionary monetary policy	In mid 2018, the inflation in India was rising, nearing 5% due to rise in crude oil prices. Contractionary monetary policy was used, increasing interest rates to 6.5% to curb spending and reduce inflationary pressure. (Fell from 5% to 3%?) Argentina used 40% interest rates to try to control inflation and try to control a dive in the peso
Managed exchange rate - Singapore	Singapore increases S\$NEER to cope with 3% inflation, appreciating 4.4%. Makes imports relatively cheaper, while making exports relatively more expensive. Exports should remain unchanged as Singapore primarily exports value-added goods and services (low PED), while imports increase significantly since Singapore is heavily reliant on them as factor inputs.
Investment in human capital	Singapore, developing a strong public education system.

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	SkillsFuture is a government program aimed at reskilling the workforce through training to gain skills that are in demand. Citizens are provided with credit that can only be used to go to a training programme. Index of Human Capital = 0.88 → 88% of max productivity by age 18
Investment in technology	Singapore committed to invest 1% of GDP into R&D, Fintech, AI, digital healthcare
Investment in infrastructure	Indonesia infrastructure investment 2017: \$28 billion to build 30km bridge linking 2 islands Reduces transportation costs - reduces costs of production
Industrial policies	Tax Cuts and Jobs Act, implemented by Trump in Dec 2017 Reduced corporate tax from 35 to 21%, resulted in increased investment to expand productive capacity
Deregulation	Singapore removed regulations on the electricity market, allowing private firms to sell electricity from Nov 2018, which increases competition Previously, only government owned SP Group was able to sell electricity https://www.ntu.edu.sg/erian/news-events/news/detail/what-we-nt-wrong-with-singapore-s-energy-market-liberalisation
Privatisation	India privatised the coal and oil industry, removing the monopoly power of the state and allowing private firms to join. This encourages domestic investment and FDI
Trade liberalisation	USMCA - US Mexico and Canada Agreement, signed in Nov 2018, allows select products to be traded tariff-free between the three countries, e.g. automobiles, dairy, intellectual property Made to replace NAFTA, with a few changes. Not yet ratified.
Anti-monopoly regulation	Singapore Grab and Uber Competition and Consumer Commission Singapore fined Grab and Uber \$13 million for merging in SEA, as it reduced competition in the market Grab was required to maintain the pricing algorithm it had pre-merger
Reducing unemployment benefits and minimum wage	US congress decided not to extend federal unemployment benefits at the end of 2013, which means unemployment benefits would end for 1.3 million people. This forced them to find a job, even if it was low paying.
Reducing labour union power	UK reducing trade union power, 2015, following a large number of strikes by London Underground and railways

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	Increased punishment for unlawful strikes Introduced ability to fine the union for breaches of rules up to 20k pounds
Income and business tax cuts	Tax Cuts and Jobs Act, implemented by Trump in Dec 2017 Reduced corporate tax from 35 to 21%, resulted in increased investment to expand productive capacity, and reduced income taxes
Automatic stabilizers	In 2008 US spent \$220 billion in unemployment benefits in order to stabilize the economy during recession
Tax increase	Federal income tax increased from 31% to 39.6%, \$255 billion in spending cuts. Inflation rate fell from 6.1% to 2.6%, GDP averaged 4% growth (<i>see above on contractionary fiscal policy</i>)
Income and business tax cuts	Tax Cuts and Jobs Act, implemented by Trump in Dec 2017 Reduced corporate tax from 35 to 21%, resulted in increased investment to expand productive capacity, and reduced income taxes. Gini increased from 0.412 to 0.415

Unit 4 - Global Economy

Trade Protection	
Tariffs - US steel	To protect American workers and industry. 25% tariffs on steel, 10% aluminium. 0.3% GDP growth decrease. Added 9,000 jobs, resulted in 75,000 job losses overall https://www.cnbc.com/2019/08/02/heres-why-us-importers-and-consumers-pay-trumps-tariffs-not-china.html <i>U.S. companies and consumers paid \$3 billion a month in additional taxes because of tariffs... an additional \$1.4 billion in costs related to lost efficiency in 2018</i>
Quotas -	
Economic Integration	

Joining FTA - India	Threaten ELDC diversification • Harm India's domestic producers in key manufacturing sectors such as steel, electronics, and textiles and hamper its transition towards industrialization in the face of a surge in imports; economy would be dominated by agriculture and services (aim to increase mfg from 15% to 25%) ○ India's economy could become too specialized without the industrial sector and subject its economy to greater volatility due to the nature of the agriculture sector having greater price fluctuations ○ India can also protect its domestic industrial sector, promoting higher employment in those sectors. Loss of sovereignty • RCEP may limit policy-making of Indian government such as in areas of foreign investment and trade policies (Text A, para 5) a loss of domestic sovereignty with adherence to RCEP terms; • Some level of adherence to common foreign policy, e.g. regulations with regard to foreign investments, or even things like labour/environmental policies. Larger markets • Opportunity for domestic producers in India to widen market access' → sell more of their products to the rest of the region • boost export revenue & support employment in export-oriented industries; aid to correct the current account deficit in the long term (Table 1) Cheaper imports • Access to cheaper imported inputs / goods which other countries can produce more efficiently → lower cost of production → rise in SRAS → supports economic growth and lowers inflationary pressure from the weakening rupee (Text B, para 2) → increase export competitiveness in the longer term → improve the current account deficit (Table 1)
Leaving Common Market	UK/EEA
Monetary Union - Brunei-Singapore	• Real GDP 1967-1997; Brunei annual 2%, Singapore 8%

Other	
Examples of good and bad inflation	High inflation [Bad] - USA as a result of expansionary monetary policy, inflation rate is around 8% and currently fluctuating around there. - Hyperinflation: Venezuela is still suffering from a hyperinflation crisis, standard of living is low as markets are nearly empty of basic necessities. Low inflation [Good] - Singapore? Inflation rate at around 2% which is usually the target inflation.
	•
Effect of depreciation - UK, 2008	25% depreciation in GBP. • UK inflation rose to >5%. • Net exports increased from -US\$223bn to -US\$193bn, AD increases (assuming PED is high). Imports relatively more expensive, SRAS shifts left. • Since UK depends greatly on imports for factor inputs, the decrease in SRAS outweighed increase in AD, causing real GDP to fall -4.1%, and unemployment to increase from 5.6% to 7.5%. • Guaranteed inflation; economic growth and unemployment uncertain
Economic Development	
Economic development without economic growth - Japan	GDP fell 7% between 1995 and 2019 but HDI increased from 0.845 to 0.919
Economic growth without economic development - Angola	Basic economic indicators: • GDP increased from \$15bn to \$90bn from 2002 to 2019 • HDI at 0.581, inequality-adjusted HDI of 0.397 (rank 119), 51.1% in multidimensional poverty and 6.93% unemployment rate • Inequality exacerbating conditions • Investment into human capital (education, training) and physical capital (infrastructure) concentrated in Luanda • Investments did not reach the rural areas. • Most profits actually went to China rather than Angola itself.

(taken from https://docs.google.com/document/d/1RGbEY_03Gzl74_E my OT7sPjqBnpGa6VXpLGzpoXeIQGYw/edit)

Economic growth and Economic Development	