ZIMBABWE SCHOOL EXAMINATIONS COUNCIL

ZGCE ADVANCED LEVEL SYLLABUS

ECONOMICS
9158

EXAMINATION SYLLABUS FOR 2013 - 2016
ECONOMICS

ZGCE ADVANCED LEVEL

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NOTE

Additional copies of this syllabus and the specimen paper booklet can be ordered from ZIMSEC.
1 INTRODUCTION

1.1 The aim of this syllabus is to enable Centres to develop an Economics course that is suitable for Advanced Level candidates.

1.2 Three methods of assessment are used (multiple choice, data response questions and essays).

1.3 Candidates must offer papers 1, 2 and 3.

1.4 No previous study of the subject is assumed by the syllabus.

2 AIMS

2.1 The syllabus is intended to encourage a course that will:

(a) provide a basis of factual knowledge of economics,

(b) encourage the development in the student of:

(i) a facility for self-expression, not only in essay form but also using additional aids such as statistics and diagrams where appropriate,

(ii) the habit of using works of reference as sources of data specific to economics,

(iii) the habit of reading critically to gain information about the changing economy in which we live,

(iv) an appreciation of the methods of study used by the economist and of the most effective ways in which economic data may be analysed, correlated, discussed and presented.

3 ASSESSMENT OBJECTIVES

These indicate the skills that the examination will be designed to test in conjunction with the subject matter listed in the syllabus.

3.1 Candidates are expected to:

1 DEMONSTRATE KNOWLEDGE AND UNDERSTANDING of the specified content,

2 INTERPRET economic information presented in verbal, numerical or graphical form,
3 EXPLAIN AND ANALYSE economic issues and arguments, using relevant economic concepts, theories and information,

4 EVALUATE economic information, arguments, proposals and policies, taking into consideration relevant information and theory, and distinguishing facts from hypothetical statements and value judgements,

5 ORGANISE, PRESENT AND COMMUNICATE economic ideas and informed judgements in a clear, logical and appropriate form.

3.2 The Multiple Choice component (Paper 1) will seek to test particularly Assessment Objectives 1, 2 and 3.

The Data response component (Paper 2) will seek to test particularly Assessment Objectives 2 and 3, and to a lesser extent Assessment Objectives 1, 4 and 5.

The Essay component (Paper 3) will seek to test particularly Assessment Objectives 1, 3, 4 and 5 and to a lesser extent Assessment Objective 2.
**Scheme of Assessment**

Three compulsory papers will be set as follows:

<table>
<thead>
<tr>
<th>Paper</th>
<th>Duration</th>
<th>Mark</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Multiple Choice</td>
<td>1½ hours</td>
<td>40 items, all to be attempted</td>
</tr>
<tr>
<td>2</td>
<td>Data Response</td>
<td>1¼ hours</td>
<td>2 questions, both to be answered</td>
</tr>
<tr>
<td>3</td>
<td>Essays</td>
<td>3 hours</td>
<td>4 questions to be answered from a choice of about 12</td>
</tr>
</tbody>
</table>

Papers 1 and 2 will be timetabled in the same session with a short break between the papers.

Candidates must offer Papers 1, 2 and 3.

**Paper 1  Multiple Choice**

All the multiple choice items will be of the simple type with four responses suggested for each item. Multiple choice questions will be set on the whole syllabus. Of the forty questions, no more than ten (25%) will test knowledge alone and no less 30 (75%) for skills 2 and 3 (interpretation, explanation and analysis).

**Paper 2  Data Response**

This paper aims to test particular skills rather than specific areas of knowledge, and for this reason each paper will contain two compulsory questions carrying 20 marks each. No question will demand knowledge of a particular economy, and data will be included from various economies. The data may be presented in graphical or tabular or textual format.

Within each question there will be a number of sub-questions, and it is the examiners' intention that earlier sub-questions will test skills of definition, description, identification and observation. Later sub-questions will test the skills of application, analysis and evaluation by inviting candidates to use their knowledge of economic principles to solve specific problems that can be observed in the data before them.

Although all the sub-questions will be related to the data presented in each question, each of the sub-questions will present separate aspects so that success in any particular sub-question will not be dependent on success in earlier sub-questions.
The two questions in a paper will therefore aim to test the candidate’s ability to answer:

(a) basically straightforward questions in which the data required are fairly obvious,

(b) questions that require some simple re-arrangement or summarising of the data,

(c) more complex questions that require candidates to search the data to select relevant material for their answer,

(d) a final sub-question that will require candidates to evaluate and analyse aspects of the data in relation to their understanding of some of the central concepts of economics.

Paper 3  Essays

Candidates will be required to answer any four questions.

SPECIFICATION GRID

<table>
<thead>
<tr>
<th>SKILL</th>
<th>PAPER 1</th>
<th>PAPER 2</th>
<th>PAPER 3</th>
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<tbody>
<tr>
<td>1 Knowledge and understanding</td>
<td>20-25%</td>
<td>20%</td>
<td>28%</td>
</tr>
<tr>
<td>2 Interpretation</td>
<td>50-55%</td>
<td>40%</td>
<td>16%</td>
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<tr>
<td>3 Analysis</td>
<td>20-25%</td>
<td>30%</td>
<td>20%</td>
</tr>
<tr>
<td>4 Evaluation</td>
<td>---</td>
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<tr>
<td>5 Organisation, Presentation and Communication</td>
<td>---</td>
<td>10%</td>
<td>36%</td>
</tr>
</tbody>
</table>

NB Each question in Paper 3 will test up to the highest skill.

4 CURRICULUM CONTENT

1 Basic Economic Ideas

(a) Scarcity, choice and resource allocation

   (i) Meaning of scarcity and the inevitability of choices at all levels (individual, firms, governments)

   (ii) Opportunity cost

   (iii) Basic questions of what will be produced, how and for whom

(b) Different allocative mechanisms
(i) Market economies
(ii) Planned economies
(iii) Mixed economies

(c) Production possibility curve - shape and shifts
(d) The margin: decision making at the margin
(e) Positive and normative statements
(f) Ceteris paribus
(g) Factors of production: land, labour, capital, enterprise
(h) Division of labour
(i) Efficient resource allocation: concept of economic efficiency; productive and allocative efficiency.

2 Theory of Demand

(a) Individual demand curves
(b) Aggregation of individual demand curves to give market demand
(c) Factors influencing demand
(d) Movements along and shifts of a demand curve
(e) Price, income and cross-elasticities of demand
    (i) Meaning and calculation
    (ii) Factors affecting
    (iii) Implications for revenue and other business decisions
(f) Utility Theories
    (i) Marginal Utility Theory:
        - Law of diminishing marginal utility and its relationship to derivation of an individual demand schedule and curve.
        - Equi-marginal principle
        - Limitations of marginal utility theory.
    (ii) Indifference Curves Theory
- Budget lines: Income and substitution effects of a price change.

(g) Consumer surplus

3 Theory of Supply

(a) Individual firm's supply curves

(b) Aggregation of individual firm's supply curves to give market supply.

(c) Factors influencing market supply, including indirect taxes and subsidies. Movements along and shifts of a supply curve.

(d) Price elasticity of supply, determinants, implications for speed/ease with which businesses react to changed market conditions.

(e) Short-run production function: fixed and variable factors of production, total product, average product and marginal product. Law of diminishing returns (Law of variable proportions).

(f) Long-run production function: returns to scale.

(g) Economist's versus accountant's definition of costs

Marginal cost and average cost.
Short-run cost function - fixed costs versus variable costs
Explanation of shape of SRAC.

(h) Long-run cost function.
Explanation of shape of LRAC: economies and diseconomies of scale
Internal and external economies and diseconomies of scale.

(i) Survival of small firms
Growth of firms

(j) Relationship between elasticity, marginal, average and total revenue for a downward-sloping demand curve.

4 Theory of the Firm

(a) Price and output determination:

- Interaction of demand and supply: equilibrium price and quantity;
  price as a rationing and allocative mechanism,
- meaning of equilibrium and disequilibrium,
- effect of changes in supply and demand on equilibrium price and quantity,
- applications of demand and supply analysis.

(b) Concepts of the firm and industry.

(c) Traditional objective of the firm - profit maximisation. Normal and abnormal profit. An awareness of other objectives of the firm.

(d) Different market structures - perfect competition, monopoly, monopolistic competition, oligopoly. Structure of markets as explained by number of buyers and sellers, nature of product, degree of freedom of entry and nature of information. Contestable markets.

(e) Conduct of firms - pricing policy and non-price policy, including price discrimination, price leadership models and mutual interdependence in the case of oligopolies.

(f) Performance of firms - in terms of output, profits and efficiency.

Comparisons with regard to economic efficiency, barriers to entry, price competition, non-price competition and collusion.

5 Theory of Distribution

(a) Factors of production: Labour, Land, Capital and Enterprise.

(b) Rewards to factors of production: wages, rent, interest and profits; share in the national income.

(c) Wages

   (i) Demand for Labour as a derived demand

      - meaning and factors affecting demand

      - derivation of an individual firm's demand for a factor using marginal revenue product theory.

   (ii) Supply of Labour

      - meaning and factors affecting supply

      - net advantages and the long run supply of labour.
(iii) Wage determination under free market forces (competitive product and factor markets)

- The role of trade unions and government in wage determination; collective bargaining.
- Wage differentials, economic rent and quasi-rent.

(d) Rent: Supply factors peculiar to land in general and for particular uses.

(e) Interest: Difficulties in the concept of capital. Structure of interest rates. Loanable funds theory of interest rates and its limitations. Liquidity preference theory of interest rates and its limitations. Interest rate determination in practice, including role of government and of international influences.

(f) Profit: Accountant's and economist's concepts of profit.

Normal profit as transfer earnings.
Abnormal profit. Role of profit.

6 Government Intervention in the Price System

(a) Sources of market failure

(i) Externalities
(ii) Meaning of deadweight losses
(iii) Market imperfections - existence of monopolistic elements.
(iv) Public goods and merit goods

(b) Cost Benefit Analysis

(i) Social costs as the sum of private and external costs.
(ii) Social benefits as the sum of private benefits and external benefits.

(c) Conditions for allocative efficiency.

(d) Objectives of government microeconomic policy: efficiency, equity.

(e) (i) Policies to correct market failure: regulation: maximum price controls, price stabilisation, taxes, subsidies, direct provision of goods and services, production quotas, butter stock.
(ii) Policies towards income and wealth redistribution.
(iii) Effectiveness of government policies.

(f) Decision making using cost benefit analysis
7 International Trade

(a) Principles of absolute and comparative advantage, and their real-world limitations. Other explanations/determinants of trade flows e.g. political Opportunity cost concept applied to trade.

(b) Arguments for free trade and motives for protection

(c) Types of protection and their effects

(d) Economic integration: free trade area, customs union, economic union: advantages and disadvantages. Its real world significance to developing and developed countries.

(e) The role and impact of commodity agreements.

(f) Terms of trade: calculation, meaning, trends. Relationship to Balance of Payments.

(g) Balance of Payments (BOP)

Components of Balance of Payments

Its nature and meaning in terms of current and capital transactions. The Balance of Payments - composition of the trading and non-trading accounts. Significance of net property income from abroad and capital transactions in developed and developing economies.

Balance of Payments problems

(i) Meaning of BOP equilibrium and disequilibrium
(ii) Causes of BOP disequilibrium
(iii) Consequences of BOP disequilibrium on domestic and external economy.

(h) Fluctuations in foreign Exchange Rates

(i) Definitions and measurements of exchange rates - nominal, real, trade-weighted exchange rates.
(ii) Determination of exchange rates-floating, fixed, managed float.
(iii) Factors underlying fluctuations in exchange rates.
(iv) effects of changing exchange rates on the economy.

(i) Policies designed to (i) correct BOP disequilibrium (ii) influence the exchange rate.

8 Theory and Measurement in the Macroeconomy

(a) The circular flow of income between households, firms, government and the international economy.

(b) National Income Statistics

(i) Measurement of national income
(ii) Use of National income statistics as measures of economic growth and living standards.
(iii) Money and real data; Gross Domestic Product (GDP) deflator.
(iv) Comparison of economic growth rates and living standards over time and between countries: purchasing power parity theory.
(v) Other indicators of living standards and economic development.

(c) National Income Determination

(i) Main schools of thought on how the macroeconomy functions. Keynesian and Monetarist views.
(ii) Aggregate Expenditure function (AE)
Meaning, components of AE and their determinants.
Income determination using AE - income approach and withdrawal/injection approach.
Inflationary and deflationary gaps; full employment level of income versus equilibrium level of income.
The multiplier
Autonomous and induced investment; the accelerator.
(iii) Shape and determinants of AD
Shape and determinants of AS
Interaction of AD and AS: determination of level of output, prices and employment.

9 Money and the Price Level

(a) Money: its functions and characteristics
(b) Money supply

- Broad and narrow money supply
- Government accounts; government budget, deficit financing
- Sources of money supply in an open economy (commercial banks/credit creation, central bank, deficit financing, total currency
flow).

(c) The demand for money

- Interest rate determination
- Liquidity preference theory and loanable funds theory.

(d) General Price Level: price indices

Inflation:  
(i) definition of inflation and degrees of inflation  
(ii) causes of inflation  
(iii) consequences of inflation  
(iv) policies to cure inflation.

10 Macroeconomic Problems and Policies

(a) Economic Growth and Development

(i) Definition of economic growth and development  
(ii) Indicators of comparative development and underdevelopment in the world economy - economic, monetary, non-monetary and demographic indicators.  
(iii) Characteristics of developing economies: population growth and structure, income distribution, economic structure, employment composition, external trade and urbanisation in developing economies, the nature of dependency, including the role of multinational corporations.  
(iv) Actual versus potential growth in national output.  
(v) Factors contributing to economic growth  
(vi) Costs and benefits of growth  
(vii) Policies for development: analysis of factors in the development process; policies of trade, aid and industrialisation; development through borrowing and its implications in terms of external debt, the debt crises. The role of international financial institutions e.g. IMF and World Bank.

(b) Unemployment

(i) Definition of unemployment, full employment and natural rate of unemployment  
(ii) Difficulties involved in measuring unemployment; employment statistics; patterns and trends in unemployment/employment.  
(iii) Size and components of labour force; labour productivity  
(iv) Causes and types of unemployment  
(v) Solutions to unemployment
(c) Inflation (see Money and price level)
(d) BOP (see International trade)
(e) Exchange rate fluctuations (see International trade)
(f) Inter-connectedness of problems:

Links between macroeconomic problems and their interrelatedness, for example

- relationship between internal and external value of money
- relationship between balance of payments and inflation
- relationship between inflation and unemployment; trade-off between inflation and unemployment.

(g) Objectives of macroeconomic policy

Stabilisation: price stability, equity, full employment, BOP equilibrium, growth and development.

(h) Types of policy: Aims and instruments of each policy; how each is used to control inflation, stimulate employment, stimulate growth, correct balance of paymen disequilibrium; the effectiveness of each

(i) Fiscal policy
(ii) Monetary policy
(iii) Exchange rate policy
(iv) Supply side policies
(v) Incomes policy
(vi) Trade Policy
(vii) Price Policy

(i) Conflicts between policy objectives and evaluating policy options to deal with problems.
APPENDIX A

COMPARISON OF CURRICULUM CONTENT WITH A LEVEL SYLLABUS 9058

Compared with the A Level Economics syllabus 9058,

The following topics are deleted or downgraded so that they will not be the subject of specific questions:

♦ free goods
♦ Giffen goods
♦ factor rewards linked to costs
♦ nationalisation
♦ objectives of public sector firms
♦ official definitions of money
♦ description of credit creation process

and the following topics are added or upgraded so that they could be the subject of specific questions:

♦ contestable markets
♦ interaction of aggregate demand and aggregate supply
♦ exchange rate policy and supply side policies as macroeconomic policies.
**RESOURCE LIST**

This is NOT a list of prescribed texts, but merely an attempt to provide a range of alternatives from which teachers may like to choose.

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<th>Author</th>
<th>Title</th>
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<tr>
<td>Anderton, AG</td>
<td>Economics</td>
<td>Causeway</td>
<td>1873929374</td>
<td>1995</td>
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<td>Davies, Brinley et al</td>
<td>Investigating Economics</td>
<td>Macmillan</td>
<td>0333638085</td>
<td>1996</td>
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<td>Dunnett, A</td>
<td>Understanding the Market</td>
<td>Longman</td>
<td>0582325064</td>
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<td>Grant, Susan</td>
<td>Workbook for Stanlake, Introductory Economics</td>
<td>Addison Wesley Longman</td>
<td>0582302560</td>
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<td>Hardwick, Philip et al</td>
<td>Introduction to Modern Economics</td>
<td>Addison Wesley Longman</td>
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<td>0136501699</td>
<td>1997</td>
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<td>Ison, Stephen</td>
<td>Economics</td>
<td>F T Management</td>
<td>0273634275</td>
<td>1999</td>
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<td>Lipsey, Richard and Chrystal, K Alec</td>
<td>Introduction to Positive Economics</td>
<td>OUP</td>
<td>0198774257</td>
<td>1995</td>
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<td>Textbook of Core Economics</td>
<td>Longman</td>
<td>0582238676</td>
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**Dictionaries**

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**Internet:**

Teachers will also find useful material on website [http://www.bized.ac.uk/](http://www.bized.ac.uk/)
# CHECKLIST OF ECONOMIC TERMS AND CONCEPTS

**NB** A checklist such as this is neither exhaustive nor prescriptive: unless it is indicated as `not required`, the omission of an item from this list does not mean that examiners will not refer to it, while teachers may find it helpful or desirable in their courses to introduce terms and concepts even if they lie outside the scope of the examined syllabus.

<table>
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<td>abnormal profit</td>
<td>average propensity</td>
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<td>absolute advantage</td>
<td>average revenue</td>
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<td>accelerator</td>
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<td>balance for official financing</td>
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<td>barriers to entry</td>
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capital
capital account of Balance of Payments
current account of Balance of Payments
customs unions
cyclical unemployment
deficit
deficit financing
deflation
deflationary gap
demand
demand conditions
demand cuve
demand-deficiency unemployment
demand-pull inflation
demand schedule
demerit good
dependency ratio
depreciation (of capital)
depreciation (exchange rate)
derived demand
devaluation
development
diminishing marginal utility
diminishing returns
direct taxation
direct taxation
discount houses
diseconomies of scale
dissaving
distribution of income
division of labour
dumping
economic efficiency
economic growth
economic union
economic rent
free trade
economies of scale free trade areas
effective demand frictional unemployment
efficiency full employment
elastic funding
elasticity of demand general government final consumption
elasticity of supply general unemployment
enterprise general union
entrepreneur government expenditure
equi-marginal utility gross domestic product
equilibrium gross domestic product deflator
equilibrium price gross national product
equilibrium quantity horizontal integration
equity (fairness) household expenditure
exchange control hyperinflation
Exchange Rate Mechanism IBRD (the World Bank)
excise duties idle balances
exports IMF
external balance immobility of labour
external benefit impact of a tax
external benefit imperfect competition
external economies imperfections
externalities
factor cost adjustment import penetration
factor of production imports
financial economies of scale incidence of a tax
fiscal boost, inflationary income effect
fiscal drag, inflationary income elasticity of demand
fiscal policy income tax
fixed capital incomes policy
fixed capital formation increasing returns
fixed costs indices
fixed exchange rates indifference curves
floating exchange rates indirect tax
foreign exchange induced investment

industrial union marginal physical product
inelastic
infant industries argument
inferior goods
inflation
inflationary gap
infrastructure
injections
integration
interest
internal economies of scale
investment
invisible balance
J-curve
Keynesian
labour
laissez-faire
land
law (economic)
leakages
liquidity
liquidity preference
liquidity ratio
liquidity trap
loanable funds theory
Lome Convention
long run
Maastricht, Treaty of
Macroeconomic
managed floating
marginal cost
natural rate of unemployment
marginal propensity
marginal revenue
marginal revenue product
marginal tax rates
marginal utility
market
market economy
market failure
market system
marketing economies
Marshaall-Lerner Condition
maximisation
measure of value
medium of exchange
menu costs of inflation
merit goods
microeconomics
migration
Minimum Lending Rate
mixed economy
mobility of labour
Monetarism
monetary policy
money
money supply
monopolistic competition
monopoly
monopsony
multilateral trade
multinationals
multiplier
narrow money supply
National Debt
notional income
natural increase
perfectly inelastic
natural monopoly
near-money
negative externalities
net advantage
net domestic product
net national product
net property income from abroad
nominal
non-excludability
non-pecuniary advantages
non-price competition
non-rivalness
normal goods
normal profit
normative statement
occupational mobility
official financing
oligopoly
open economy
open market operations
opportunity cost
optimum output
optimum population
optimum resource allocation
other things being equal
paradox of thrift
paradox of value
Pareto optimality
patents
paternalism
pecuniary advantages
pensions
perfect competition
perfectly elastic
Quantity Theory of Money
Phillips Curve
planned economy
point elasticity
positive externalities
positive statement
poverty trap
precautionary demand for money
price agreements
price competition
price discrimination
price elasticity of demand
price leadership
price mechanism
primary sector
principle of multiples in economies of scale
private benefits
private costs
private goods
private sector liquidity
privatisation
producers’ surplus
production possibility curve
productive efficiency
productivity
profit
profit maximisation
progressive taxation
proportional taxation
protectionism
PSBR
PSDR
public goods
purchasing power parity
quality of life
specific tax
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urbanisation
utility
value added
variable costs
variable proportions
velocity of circulation
vertical integration
visible balance
voluntary unemployment
wage differentials
wage drift
wages
weights
withdrawals
working capital
yield