



Worksheet 2: Relationships between economic variables

1 Scarcity and choice
The existence of the basic economic problem – scarcity, means resources have alternative uses and choices have to be made as to how to employ them to maximise economic welfare.

2 Productivity and unemployment

3 Average incomes and life expectancy

4 Technological advancement and productive potential

5 The price mechanism and resource allocation

6 Increase in supply and equilibrium price

7 External costs and market failure

8 Inflation and store of wealth as a function of money

9 Discrimination and wage differentials



10 Horizontal integration and economies of scale

11 Increase in output and total costs

12 Competitive markets and consumer choice

13 Contractionary fiscal policy and economic growth

14 Expansionary monetary policy and inflation

15 Deregulation and aggregate supply

16 National output and cyclical unemployment

17 Real GDP per head and living standards

18 Progressive taxation and poverty



19 Increase in population and optimum population

20 Specialisation and free trade

21 MNCs and unemployment

22 PED and export revenue

23 Current account surplus and GDP
