

Unit 1

Concepts introduced in Unit 1

Before you move on, review these definitions:

- Economics
- Industrial Revolution
- Technology
- Economic system
- Capitalism
- Institutions
- Private property
- Markets
- Firms
- Capitalist revolution
- Democracy

1.1

- Income distributions have become more unequal in many of the richer countries
- measure of inequality in a country is called the 90/10 ratio, the average income of the richest 10% divided by the average income of the poorest 10%. It is more commonly defined as the income of the 90th percentile divided by that of the 10th percentile

1.2

- **(GDP)** - A measure of the market value of the output of final goods and services in the economy in a given period.
- Disposable income is thought to be a good measure of living standards because it is the maximum amount of food, housing, clothing and other goods and services that the person can buy without having to borrow
- Income is a major influence on wellbeing because it allows us to buy the goods and services that we need or enjoy. But it is insufficient, because many aspects of our wellbeing are not related to what we can buy
- GDP includes the goods and services produced by the government, such as schooling, national defence, and law enforcement.
- **Growth rate = change in income/income original**
- For a very long time, living standards did not grow in any sustained way.
- When sustained growth occurred, it began at different times in different countries, leading to vast differences in living standards around the world.

1.4 – tech revolution

- Remarkable scientific and technological advances occurred at the same time as the upward kink in the hockey stick in Britain in the middle of the eighteenth century.
- Important new technologies were introduced in textiles, energy and transportation//**Industrial Revolution** - A wave of technological advances and organizational changes starting in Britain in the eighteenth century, which transformed a craft-based economy into a commercial and industrial economy