Your notes

GCSE Economics: revision notes

Globalisation, exchange rates and the balance of payments

Contents

1. Globalisation
2. Exchange rates
3. Effects of exchange rate changes
4. Converting currency
5. Key terms
6. Quick questions
7. What to do next

Globalisation

- **Globalisation** is the growing links between economies around the world through trade, investment, migration and technology.
- Causes: cheaper transport (containers), the internet, trade agreements and the growth of multinational companies (MNCs).
- Benefits: cheaper goods, more choice, jobs from foreign investment, and growth in developing countries. Costs: jobs moving abroad, exploitation of low-paid workers, environmental damage, and loss of local culture.

Exchange rates

- An **exchange rate** is the price of one currency in terms of another, such as £1 = $1.25.
- It is set by the demand for and supply of the currency on foreign exchange markets. Demand for pounds rises when foreigners buy UK exports, visit the UK or invest here.

Effects of exchange rate changes

- A stronger pound (**appreciation**): exports become more expensive abroad and imports cheaper. Good for UK tourists abroad and import costs; bad for exporters.
- A weaker pound (**depreciation**): exports become cheaper and imports dearer. Good for exporters; may cause cost-push inflation.
- Remember **SPICED**: Strong Pound, Imports Cheaper, Exports Dearer.

Converting currency

- If £1 = $1.25, then £200 = $250, and $50 = £40.

Key terms

Globalisation	The growing links between economies around the world.
Multinational company	A firm that operates in more than one country.
Exchange rate	The price of one currency in terms of another.
Appreciation	A rise in the value of a currency.
Depreciation	A fall in the value of a currency.
SPICED	Strong Pound, Imports Cheaper, Exports Dearer.

Quick questions

Cover the answers and test yourself: remembering is what makes it stick.

1. What is globalisation?
2. What is an exchange rate?
3. What does SPICED stand for?
4. What happens to UK exports if the pound depreciates?
5. If £1 = $1.25, how many dollars is £200 worth?
6. If £1 = $1.25, how many pounds is $50 worth?
7. What is a multinational company?
8. What is a cost of globalisation?

Answers

1. The growing links between economies around the world
2. The price of one currency in terms of another
3. Strong Pound, Imports Cheaper, Exports Dearer
4. They become cheaper abroad
5. $250
6. £40
7. A firm that operates in more than one country
8. Jobs moving to countries with lower wages

What to do next

Practise 10 questions on this topic

Try 3 exam questions, with mark schemes

Read the lesson, one step at a time

Free revision for GCSE and KS3 at lycolearn.co.uk. Some notes are for one exam board only, and say so in brackets.

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