Your notes

GCSE Economics: revision notes

Markets, specialisation and the division of labour

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Markets and resource allocation

- A **market** is where buyers and sellers come together to exchange goods and services. Factor **markets** exchange factors of production, such as the labour **market**.
- Every economy must decide what to produce, how to produce it and for whom.
- In a **market economy**, prices and private firms decide; in a **command economy**, the government decides; in a **mixed economy** (like the UK and Guernsey), both play a part.

Specialisation and the division of labour

- **Specialisation** is when people, firms or countries concentrate on what they do best.
- The **division of labour** splits production into separate tasks, each done by a different worker. Adam Smith described how dividing pin-making into tasks greatly increased output.
- Advantages: higher **productivity**, more skilled workers, lower costs, and use of machinery.
- Disadvantages: boring, repetitive work; workers dependent on others; less flexible if one part stops; and risks if demand for a specialised product falls.

Why specialisation needs trade

- Specialists must trade to get the other things they need, which is easier with money than with barter.

Key terms

Market	A place where buyers and sellers exchange goods and services.

Market economy	An economy where prices and private firms allocate resources.
Command economy	An economy where the government allocates resources.
Mixed economy	An economy with both private and public sectors.
Specialisation	Concentrating on producing particular goods or services.
Division of labour	Splitting production into separate tasks done by different workers.
Productivity	Output per worker per hour.

Your notes

Quick questions

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

1. What is a market?
2. What is a mixed economy?
3. In a command economy, who allocates resources?
4. What is the division of labour?
5. What is an advantage of specialisation?
6. What is a disadvantage of the division of labour?
7. What is productivity?
8. Who described the pin factory to explain the division of labour?

Answers

1. Where buyers and sellers exchange goods and services
2. An economy with both private and public sectors
3. The government
4. Splitting production into separate tasks done by different workers
5. Higher productivity
6. Work can be boring and repetitive
7. Output per worker per hour
8. Adam Smith

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.