

2026 Level I Topic Outlines

Economics

LEARNING OUTCOMES

The Firm and Market Structures

The candidate should be able to:

- determine and interpret breakeven and shutdown points of production, as well as how economies and diseconomies of scale affect costs under perfect and imperfect competition
- describe characteristics of perfect competition, monopolistic competition, oligopoly, and pure monopoly
- explain supply and demand relationships under monopolistic competition, including the optimal price and output for firms as well as pricing strategy
- explain supply and demand relationships under oligopoly, including the optimal price and output for firms as well as pricing strategy
- identify the type of market structure within which a firm operates and describe the use and limitations of concentration measures

Understanding Business Cycles

The candidate should be able to:

- describe the business cycle and its phases
- describe credit cycles
- describe how resource use, consumer and business activity, housing sector activity, and external trade sector activity vary over the business cycle and describe their measurement using economic indicators

Fiscal Policy*The candidate should be able to:*

- compare monetary and fiscal policy
- describe roles and objectives of fiscal policy as well as arguments as to whether the size of a national debt relative to GDP matters
- describe tools of fiscal policy, including their advantages and disadvantages
- explain the implementation of fiscal policy and difficulties of implementation as well as whether a fiscal policy is expansionary or contractionary

Monetary Policy*The candidate should be able to:*

- describe the roles and objectives of central banks
- describe tools used to implement monetary policy tools and the monetary transmission mechanism, and explain the relationships between monetary policy and economic growth, inflation, interest, and exchange rates
- describe qualities of effective central banks; contrast their use of inflation, interest rate, and exchange rate targeting in expansionary or contractionary monetary policy; and describe the limitations of monetary policy
- explain the interaction of monetary and fiscal policy

Introduction to Geopolitics*The candidate should be able to:*

- describe geopolitics from a cooperation versus competition perspective
- describe geopolitics and its relationship with globalization
- describe functions and objectives of the international organizations that facilitate trade, including the World Bank, the International Monetary Fund, and the World Trade Organization
- describe geopolitical risk
- describe tools of geopolitics and their impact on regions and economies
- describe the impact of geopolitical risk on investments

International Trade*The candidate should be able to:*

- describe the benefits and costs of international trade
- compare types of trade restrictions, such as tariffs, quotas, and export subsidies, and their economic implications
- explain motivations for and advantages of trading blocs, common markets, and economic unions

Capital Flows and the FX Market*The candidate should be able to:*

- describe the foreign exchange market, including its functions and participants, distinguish between nominal and real exchange rates, and calculate and interpret the percentage change in a currency relative to another currency
- describe exchange rate regimes and explain the effects of exchange rates on countries' international trade and capital flows
- describe common objectives of capital restrictions imposed by governments

Exchange Rate Calculations

The candidate should be able to:

- ☐ calculate and interpret currency cross-rates
- ☐ explain the arbitrage relationship between spot and forward exchange rates and interest rates, calculate a forward rate using points or in percentage terms, and interpret a forward discount or premium

