
A-Level Economics

Name: _____ Score: _____

1. If the marginal propensity to consume is 0.75, what is the multiplier = $1/(1 - MPC)$?

2. Which is a benefit of economic growth?
 - ☐ higher living standards and more jobs
 - ☐ guaranteed lower inflation
 - ☐ less government revenue
 - ☐ automatic equality
3. There are 3 million unemployed in a labour force of 40 million. What is the unemployment rate (%)?

4. Using money to compare the value of different goods is its role as a:
 - ☐ medium of exchange
 - ☐ standard of deferred payment
 - ☐ unit of account
 - ☐ store of value
5. Which is an injection into the circular flow?
 - ☐ government spending
 - ☐ taxation
 - ☐ imports
 - ☐ saving
6. A potential cost of rapid economic growth is:
 - ☐ environmental damage and resource depletion
 - ☐ lower GDP
 - ☐ falling incomes
 - ☐ higher unemployment always
7. Unemployment caused by a mismatch between workers' skills and available jobs is:
 - ☐ frictional
 - ☐ structural

☐ seasonal

☐ cyclical

8. Commercial banks can only lend out cash that savers have already deposited.

☐ True ☐ False

9. A higher rate of saving or imports increases the size of the multiplier.

☐ True ☐ False

10. Sustainable development meets present needs without compromising those of future generations.

☐ True ☐ False

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1. **4**

$$1 / (1 - 0.75) = 1 / 0.25 = 4.$$

2. **higher living standards and more jobs**

Growth raises incomes, employment and tax revenue for public services.

3. **7.5**

$$(3 / 40) \times 100 = 7.5\%.$$

4. **unit of account**

A unit of account lets us measure and compare values.

5. **government spending**

Injectors are I, G, X; saving, taxes and imports are withdrawals.

6. **environmental damage and resource depletion**

Growth can deplete resources and damage the environment, among other costs.

7. **structural**

Structural unemployment comes from industry/skill mismatch (e.g. declining industries).

8. **False**

False. When a bank makes a loan it creates a new deposit in the borrower's account. Most money in a modern economy is bank-created credit, not cash.

9. **False**

False. More income leaks out of the circular flow in each round, so less is re-spent and the multiplier is smaller:
 $k = 1 / (MPS + MPT + MPM).$

10. **True**

That is the standard (Brundtland) definition of sustainable development.