Past-paper walk-through

Economic methodology ▪ 1.2

eXercise

Questions in this set

- 9708/11 N25 Q6 ▪ 1 mark
- 9708/13 N25 Q1 ▪ 1 mark
- 9708/12 J25 Q1 ▪ 1 mark
- 9708/1 23 Q1 ▪ 1 mark

Question 6

9708/11 N25 ▪ Q6 ▪ 1 mark

6 Which statement defines market equilibrium?

A when *ceteris paribus* no longer applies

B when quantity demanded equals quantity supplied

C when quantity demanded is equal to price

D when supply can no longer expand

Solution 6

Answer: **B**

Why

- Market equilibrium is where the plans of buyers and sellers coincide.
- That is where quantity demanded equals quantity supplied.
- There is then no tendency for price to change, since there is neither shortage nor surplus.

Question 1

9708/13 N25 ▪ Q1 ▪ 1 mark

1 The following appeared in a newspaper article.

> ‘The economies of the poorest nations have large international debts; the richest nations should cancel the debts of these nations and reduce poverty.’

What is the nature of each statement?

	poorest nations have large international debts	richest nations should cancel these debts to reduce poverty
A	normative	normative
B	normative	positive
C	positive	positive

Question 1

C	positive	positive
D	positive	normative

Solution 1

Answer: **D**

Why

- "The richest nations *should* cancel the debts" is a value judgement.
- A statement about what ought to happen cannot be tested against data.
- So it is normative, even though the sentence around it contains factual claims.

Question 1

9708/12 J25 ▪ Q1 ▪ 1 mark

1 What is the best definition of a positive economic statement?

A A statement that is based on fact and can be tested.

B A statement that attempts to influence economic decisions.

C A statement that is subjective and cannot be confirmed.

D An encouraging economic update in the opinion of the central bank.

Solution 1

Answer: **A**

Why

- A positive statement is about what *is*, and can in principle be tested against evidence.
- A normative statement is about what *ought* to be and involves a value judgement.
- So look for the statement that could be shown true or false by data.

Question 1

9708/1 23 ▪ Q1 ▪ 1 mark

1 The demand for a product is inversely related to its price, *ceteris paribus*.

What does *ceteris paribus* mean in this context?

A Factors affecting demand other than price are held constant.

B Factors affecting price other than demand are held constant.

C Price changes result from changes in demand.

D Price falls result in increased quantity demanded.

Solution 1

Answer: **A**