A-LEVEL ECONOMICS • EXERCISE SHEET

10.2 Links between macroeconomic problems and their interrelatedness

Name: ____________ Class: ________ Date: __________ **Total: 23 marks**

KEY WORDS trade-off 取舍 • phillips curve 菲利普斯曲线 • links between macroeconomic problems 宏观经济问题的关联 • inflation 通货膨胀 • economic growth 经济增长

Objective

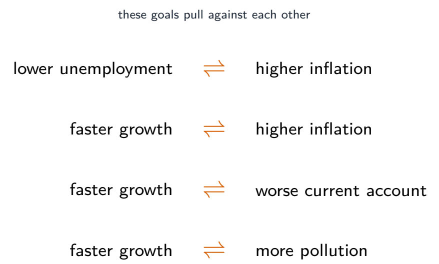
Build the skills to answer exam questions on the **links between macroeconomic problems** 宏观经济问题的关联 — how the objectives are **interrelated** and the main **trade-offs** 取舍 between them.

You must be able to:

- explain the main policy trade-offs
- analyse why gaining on one objective can cost another
- evaluate how a policy mix can ease a trade-off

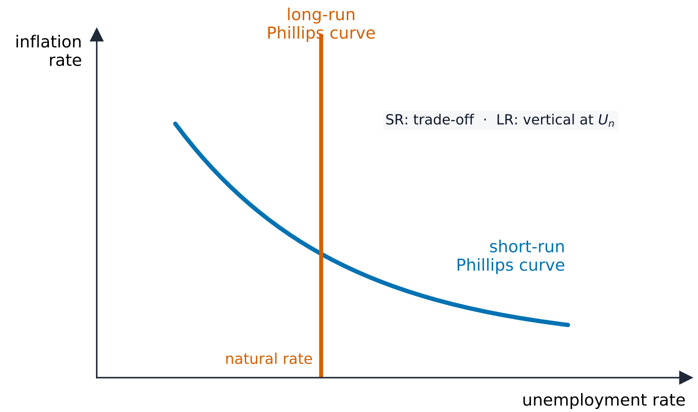
1 Worked examples

■ Trade-offs between objectives



A clever policy mix tries to ease these clashes

- **Unemployment ↔ inflation:** raising demand to cut unemployment pushes prices up (the **Phillips curve** 菲利普斯曲线).



The Phillips curve makes the unemployment–inflation trade-off concrete

- **Growth ↔ inflation:** fast demand-led growth can overheat the economy.
- **Growth ↔ balance of payments:** higher incomes pull in more imports.
- **Growth ↔ the environment / equality:** more output can mean more pollution and a wider gap.

Answer shapes: AO1 + AO2 + AO3 (analysis) + AO4 (a supported judgement *in context*).

2 Practice

2.1 Define the term *trade-off* between objectives. [2]

2.2 State one trade-off involving economic growth. [1]

2.3 State which curve shows the short-run unemployment–inflation trade-off. [1]

3 Exam-style questions

3.1 Faster demand-led growth is most likely to **worsen** the: [1]

A	B
C	D

A unemployment rate
B current account balance
C level of investment
D size of the labour force

3.2 Explain why faster economic growth can worsen a country's current account. [6]

3.3 Discuss whether a government can ease the trade-offs between its macroeconomic objectives. [12]