Week 16

A-Level Economics

Homework bundle for this week

本周作业合集

exercises.lol

Contents 目录

A-Level Economics Name: ____________ Score: ______

1. GDP measures the value of all output produced:
   - ☐ within a country in a year
   - ☐ by a country's citizens worldwide
   - ☐ only by the government
   - ☐ only by exporters
2. Which is an injection into the circular flow?
   - ☐ investment
   - ☐ saving
   - ☐ taxation
   - ☐ imports
3. If C = 600, I = 200, G = 300, X = 150, M = 100, what is AD = C + I + G + (X − M)?

   ____
4. GDP rises from 500bn to 520bn in a year. What is the growth rate (%)?

   ____
5. There are 2.5 million unemployed in a labour force of 50 million. What is the unemployment rate (%)?

   ____
6. The CPI rises from 100 to 103 over a year. What is the inflation rate (%)?

   ____
7. Nominal GDP rises 5% while prices rise 5%. What is real GDP growth (%)?

   ____
8. National income is in equilibrium when injections equal withdrawals.

   ☐ True ☐ False
9. Which is NOT a component of aggregate demand?
   - ☐ saving
   - ☐ consumption
   - ☐ investment

   - ☐ government spending
10. Potential growth is best shown on a PPF as:
    - ☐ the curve shifting outward
    - ☐ a move from inside to the curve
    - ☐ a move along the curve
    - ☐ the curve shifting inward

A-Level Economics

1. **within a country in a year**

   GDP is output produced within the country's borders; GNI adds net income from abroad.

2. **investment**

   Injections are investment, government spending and exports; the others are withdrawals.

3. **1150**

   $600 + 200 + 300 + (150 - 100) = 1100 + 50 = 1150$.

4. **4**

   $(20 / 500) \times 100 = 4\%$.

5. **5**

   $(2.5 / 50) \times 100 = 5\%$.

6. **3**

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

7. **0**

   Real growth $\approx$ nominal growth $-$ inflation $= 5\% - 5\% = 0\%$.

8. **True**

   When $I + G + X = S + T + M$, income is stable.

9. **saving**

   $AD = C + I + G + (X - M)$; saving is a withdrawal, not a component of AD.

10. **the curve shifting outward**

    Potential (capacity) growth shifts the whole PPF out; actual growth can be a move toward/along it.

A-LEVEL ECONOMICS • EXERCISE SHEET

4.1 National income statistics

Name: ________ Class: ______ Date: ______ **Total: 24 marks**

KEY WORDS nominal 名义 • real 实际 • national income 国民收入 • national income statistics 国民收入统计 • nominal versus real 名义与实际

Objective

Build the skills to answer exam questions on **national income statistics** 国民收入统计 — **GDP and GNI** 国内生产总值与国民总收入, **nominal versus real** 名义与实际, **per capita** 人均 values, and the uses and limits of national income.

You must be able to:

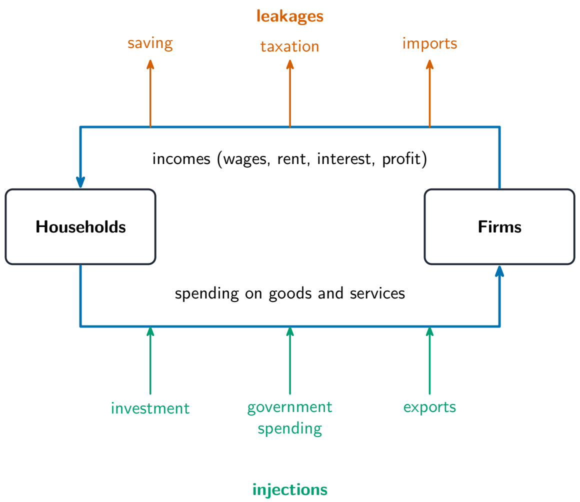
- define GDP and GNI and distinguish nominal from real
- explain why real GDP per capita is used to compare living standards
- analyse the limitations of national income as a welfare measure

1 Worked examples

■ **Measuring the economy**

*Always compare **real** 实际 values (adjusted for inflation) over time*

- **GDP** 国内生产总值: value of all goods/services made **inside** a country in a year. **GNI** adds net income from **abroad**.



The circular flow: output = income = expenditure, so all three measure the same national income

- **Nominal** 名义 = at current prices; **real** 实际 = adjusted for inflation (the true change).
- **Per capita** 人均 = divided by population (the average per person).
- **Limits:** ignores income **distribution** 分配, unpaid/informal work, pollution and leisure.

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

2 Practice

2.1 Define the term *gross domestic product (GDP)*. [2]

2.2 State the difference between *nominal* and *real* GDP. [2]

2.3 State one limitation of using GDP per capita to measure living standards. [1]

3 Exam-style questions

3.1 To compare living standards over time, the best measure is: [1]

- **A** nominal GDP
- **B** real GDP per capita
- **C** total nominal GNI
- **D** the size of the population

3.2 Explain why real GDP per capita is more useful than nominal GDP for comparing living standards over time. [6]

3.3 Discuss whether GDP per capita is a good measure of a country's standard of living. [12]

Solutions

Economics answers are marked by **level of response** against the assessment objectives: award **AO1** knowledge, **AO2** application, **AO3** analysis and **AO4** evaluation.

2.1 the total value of all goods and services produced inside a country in a year (2 for a clear definition; 1 for a partial idea).

2.2 nominal GDP is measured at current prices; real GDP is adjusted to remove the effect of inflation, showing the true change in output (2 for a clear difference; 1 for a partial idea).

2.3 any one of: ignores income distribution; omits unpaid/informal work; ignores pollution, leisure and health (1).

3.1 B. Real GDP per capita removes inflation and population effects.

3.2 *[6]* AO1 1 + AO3 up to 5 — nominal GDP can rise just because prices rose, not output, so it overstates growth; dividing real GDP by population shows the true output available per person → a fairer comparison of living standards over time.

3.3 *[12]* AO1/AO2/AO3 up to 8 + AO4 up to 4. **For:** higher real GDP per capita usually means more goods, services and tax revenue per person. **Against:** it ignores distribution, the informal economy, pollution, leisure and health, so a high average can hide poverty or harm. Judgement: GDP per capita is a useful starting measure but should be combined with others (e.g. HDI) — its reliability depends on the country.

16 The table shows selected statistics for a country.

	$bn
gross domestic product at market prices	600
indirect taxes	100
subsidies	50

What is the value of gross domestic product at basic prices?

A $500bn **B** $550bn **C** $650bn **D** $700bn

A-Level Economics: **w25 13**

17 The table below shows some national income statistics.

	$ billion
GDP at basic prices	300
Indirect taxes	20
Subsidies	4

What is GDP at market prices?

A $276bn **B** $284bn **C** $316bn **D** $324bn

18 Under which conditions will real Gross Domestic Product (GDP) grow the fastest?

	rate of change in nominal GDP (% per year)	rate of change in general price level (% per year)
A	0	–2
B	0	+2
C	+2	–2
D	+2	+2

27 What is an example of primary income in the current account of the balance of payments of Pakistan?

A dividends received by a Pakistani resident from shares in a domestic firm

B profits of Pakistani businesses exporting goods

C rent received by a Pakistani resident from a property in another country

D salary received by a Pakistani engineer fi foreign-owned producer operating in Pakistan

16 Which statement correctly describes an increase in real GDP?

A Nominal GDP rising faster than nominal income.

B Nominal GDP rising faster than the rate of inflation.

C The rate of inflation rising faster than aggregate demand.

D The rate of inflation rising faster than nominal income.

26 Why does the value of a country's terms of trade have no monetary units?

A It cannot be calculated accurately enough.

B It includes more than one currency.

C It is a ratio of two index numbers.

D It measures change over time.

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20 The table shows figures estimated at the end of a train drivers' strike.

	$ (000s)
loss of ticket revenue for train companies	600
value placed on extra leisure time by strikers	20
loss of government tax revenue	40
overtime payments to police	30

What was the reduction in the recorded level of national income resulting from the strike?

A $570 000 **B** $610 000 **C** $640 000 **D** $690 000

A-LEVEL ECONOMICS • EXERCISE SHEET

4.2 Introduction to the circular flow of income

Name: ____________ Class: ________ Date: _________ **Total: 19 marks**

KEY WORDS circular flow of income 收入循环流 • injections 注入 • leakages 漏出 • open economy 开放经济 • leakages and injections 漏出与注入

Objective

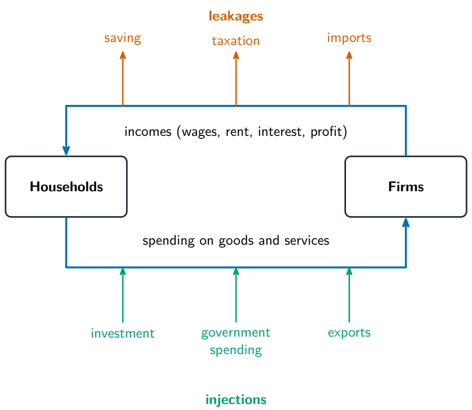
Build the skills to answer exam questions on the **circular flow of income 收入循环流** — **households and firms 家庭与企业**, **leakages and injections 漏出与注入**, and the equilibrium condition.

You must be able to:

- describe the circular flow between households and firms
- identify the three leakages and three injections
- explain when the flow grows, shrinks or is in equilibrium

1 Worked examples

■ Money around the economy



Households supply factors and spend; firms pay income and produce

- **Leakages 漏出** take money **out**: **saving 储蓄** (S), **taxation 税收** (T), **imports 进口** (M).
- **Injections 注入** put money **in**: **investment 投资** (I), **government spending 政府支出** (G), **exports 出口** (X).
- **Equilibrium** when injections = leakages; if injections > leakages the economy **grows**.

Answer shapes: AO1 + AO2 + AO3 (analysis) + AO4 (judgement, for evaluate questions).

2 Practice

2.1 Define the term *leakage* (withdrawal) from the circular flow. [2]

2.2 State the three injections into the circular flow. [3]

2.3 State the condition for the circular flow to be in equilibrium. [1]

3 Exam-style questions

3.1 Which is a **leakage** from the circular flow of income? [1]

- **A** investment
- **B** government spending
- **C** saving
- **D** exports

3.2 Explain what happens to national income when injections are greater than leakages.[6]

3.3 Explain how a rise in exports affects the circular flow of income in an open economy.[6]

Solutions

Economics answers are marked by **level of response** against the assessment objectives: award **AO1** knowledge, **AO2** application, **AO3** analysis and **AO4** evaluation.

2.1 money that is taken out of the circular flow rather than passed on as spending (saving, taxation or imports) (2 for a clear definition; 1 for a partial idea).

2.2 investment; government spending; exports (1 + 1 + 1).

2.3 when total injections equal total leakages (1).

3.1 C. Saving is a leakage (withdrawal) from the flow.

3.2 *[6]* AO1 1 + AO3 up to 5 — when injections exceed leakages, more money enters the flow than leaves → firms receive more spending → they produce more and pay more income → national income rises until leakages rise to match injections.

3.3 *[6]* AO1 1 + AO2/AO3 up to 5 — exports are an injection, so more money enters the flow → foreign buyers' spending raises firms' revenue → firms produce more and pay more income to households → national income rises (a multiplier effect may amplify this).

1 What is an example of a normative statement?

A Government expenditure is an injection into the circular flow of income.

B Government expenditure in India in 2022 was 29% of gross domestic product.

C The best policy measure to reduce inflation is a reduction in government expenditure.

D The United States of America is the country with the highest military expenditure.

15 What is an example of an injection into the circular flow of income in an open economy?

A consumer spending on goods

B expenditure on a government construction project

C spending by households on holidays abroad

D repayment of loans to commercial banks

A-Level Economics: **w25 13**

19 A government is planning to increase its expenditure on defence. Half of this expenditure will be on equipment such as planes and weapons which it will have to import as it does not produce this equipment domestically.

What is the initial impact on injections and leakages from the circular flow of income?

A The initial rise in injections is greater than the initial rise in leakages.

B The initial rise in injections is greater than the initial fall in leakages.

C The initial rise in injections is smaller than the initial rise in leakages.

D The initial rise in injections is smaller than the initial fall in leakages.

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15 What is an example of a transfer payment?

A a household moving savings from one bank account to another

B a monthly repayment on a loan used to buy a new cooker

C the amount paid to transport goods from one city to another

D grants paid to students by the government

17 Based on the circular flow of income, which condition is necessary for an open economy to be in equilibrium?

A Government investment is equal to private investment.

B Planned injections are equal to planned withdrawals.

C Spending by households is equal to taxes collected by government.

D Value of export earnings is equal to expenditure on imports.

27 What is most likely to lead to a persistent surplus in a country's current account of its balance of payments?

A a low domestic savings rate

B an undervalued exchange rate

C highly protectionist policies by other countries

D low investment income from abroad

A-LEVEL ECONOMICS • EXERCISE SHEET

4.3 Aggregate Demand and Aggregate Supply analysis

Name: ____________ Class: ________ Date: __________ **Total: 26 marks**

KEY WORDS aggregate demand 总需求 • aggregate supply 总供给 • macroeconomic equilibrium 宏观经济均衡 • equilibrium 均衡 • price level 价格水平

Objective

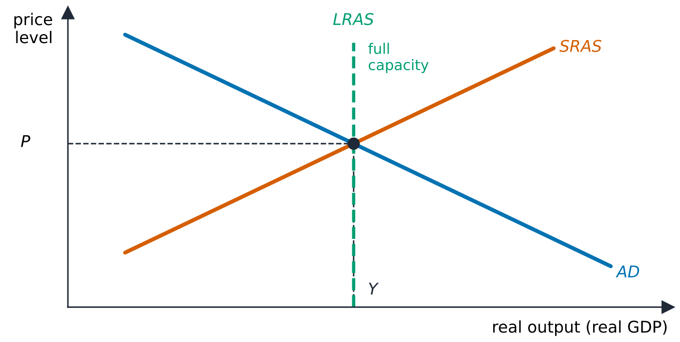
Build the skills to answer exam questions on **aggregate demand and aggregate supply** 总需求与总供给 (AD–AS) — the components of **AD** 总需求, **SRAS and LRAS** 短期/长期总供给, and **macroeconomic equilibrium** 宏观经济均衡.

You must be able to:

- state the components of AD and explain its slope
- distinguish SRAS from LRAS
- draw AD–AS and analyse a shift in equilibrium

1 Worked examples

■ **AD–AS equilibrium**

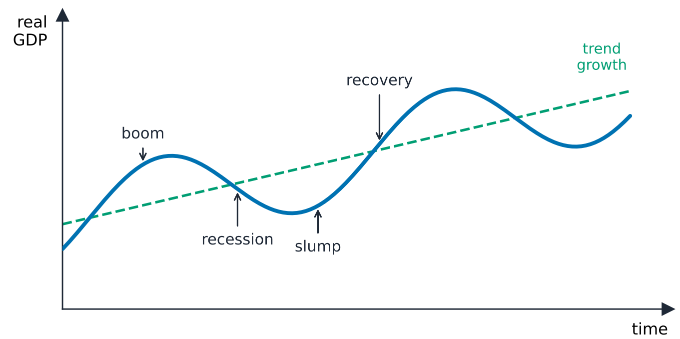


short-run equilibrium: $AD = SRAS$ · long-run capacity: vertical *LRAS*

Vertical LRAS marks full capacity 生产能力

$$AD = C + I + G + (X - M)$$

- **C** consumption, **I** investment, **G** government spending, **(X − M)** net exports.
- **SRAS** 短期总供给 slopes up (shifts when costs change); **LRAS** 长期总供给 is vertical at full capacity.
- **Equilibrium** where AD meets AS → sets the **price level** and **real output**.



boom → recession → slump → recovery (around the growth trend)

Shifts in AD or AS move the economy around the business cycle over time

Answer shapes: an **Explain [up to 8]** answer should use a labelled AD–AS diagram (AO3); **Discuss [12]** adds a judgement (AO4).

2 Practice

2.1 State the four components of aggregate demand. [2]

2.2 State the difference between SRAS and LRAS. [2]

2.3 State one cause of a rightward shift in AD. [1]

3 Exam-style questions

3.1 A cut in income tax is most likely to: [1]

- **A** shift AD left
- **B** shift AD right
- **C** shift SRAS left
- **D** shift LRAS right

3.2 Using an AD–AS diagram, explain how an increase in aggregate demand affects the price level and real output. [8]

3.3 Discuss whether a rise in aggregate demand always benefits an economy. [12]

Solutions

Economics answers are marked by **level of response** against the assessment objectives: award **AO1** knowledge, **AO2** application, **AO3** analysis and **AO4** evaluation.

2.1 consumption (C), investment (I), government spending (G), net exports (X − M) (2 for all four; 1 for two or three).

2.2 SRAS slopes upward and shifts when production costs change; LRAS is vertical and shows full productive capacity, shifting only when factors change (2 for a clear difference; 1 for a partial idea).

2.3 any one of: a rise in C/I/G; a tax cut; a fall in interest rates; a rise in exports (1).

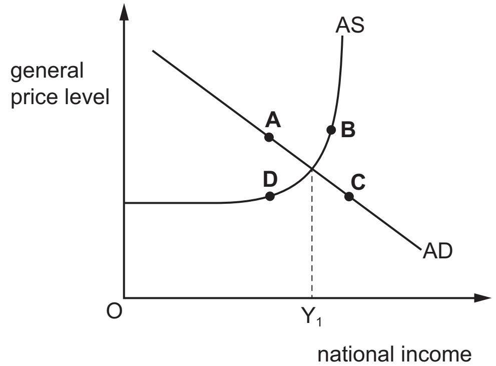
3.1 B. A tax cut raises disposable income and consumption, shifting AD right.

3.2 *[8]* AO1 1 + **AO3 diagram up to 4** (AD shifts right, SRAS upward-sloping, new equilibrium) + AO2/AO3 up to 3 — higher AD raises both the price level and real output along SRAS; near full capacity (steep AS) most of the rise is in prices, while with spare capacity (flat AS) most is in output.

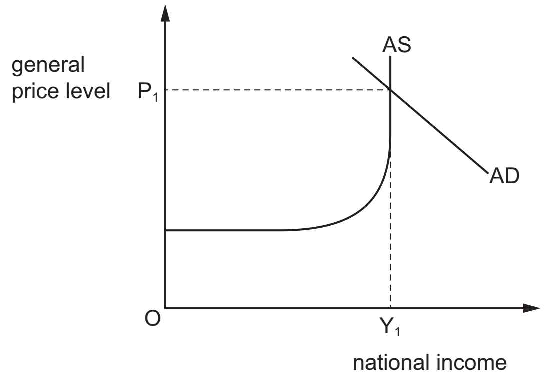
3.3 *[12]* AO1/AO2/AO3 up to 8 + AO4 up to 4. **For:** higher AD raises output and employment when there is spare capacity. **Against:** near full capacity it mainly causes demand-pull inflation, may worsen the current account (more imports) and is unsustainable. Judgement: the effect depends on how close the economy is to full capacity — beneficial in a recession, inflationary in a boom.

21 The diagram shows the AD and AS curves for a low income country. Oil and gas make up 90% of its exports. The initial equilibrium level of national income is Y_1.

What is the most likely new equilibrium point if the worldwide prices of oil and gas rise dramatically?



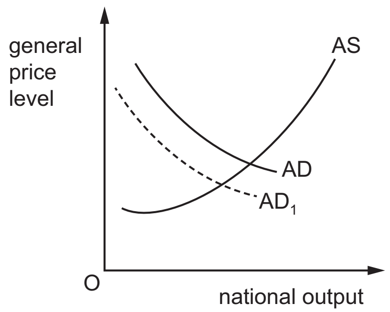
16 The diagram shows the AD and AS curves for a country. The equilibrium level of national income is Y_1 and the general price level is P_1.



What is the most likely effect on employment and the general price level of a small decrease in government expenditure?

	employment	general price level
A	falls	falls
B	falls	unchanged
C	unchanged	falls
D	unchanged	unchanged

17 The diagram shows aggregate demand and aggregate supply curves for an economy.



What would cause a change in the aggregate demand from AD to AD_1?

A government campaigns to encourage household savings

B consumption of domestic instead of foreign goods

C a decrease in the budget surplus

D investment in knowledge-based enterprises

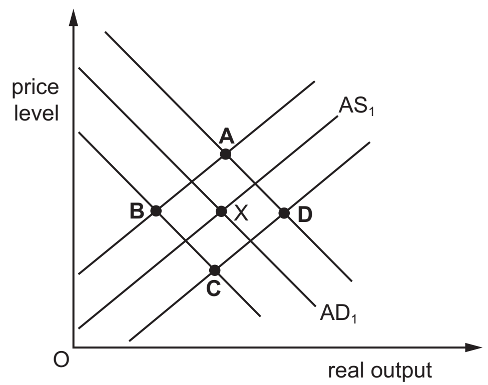
22 What is the effect of an increase in the money supply on the interest rate and the aggregate demand (AD) curve?

	interest rate	AD curve
A	falls	shifts left
B	rises	shifts left
C	falls	shifts right
D	rises	shifts right

28 Between June and the end of July 2016, the UK pound sterling depreciated by 11% against a basket of currencies of the UK's major trading partners.

The diagram shows the original aggregate demand curve AD_1 and the original aggregate supply curve AS_1 for the UK economy before June 2016. The equilibrium is at X.

What would have been the new equilibrium for the UK economy as a result of the depreciation of the pound sterling?



A-Level Economics: **w25 22**

5 **(a)** With the help of an aggregate demand and aggregate supply (AD/AS) diagram, explain why **two** components of AD may increase **and** consider the extent to which an increase in AD will always lead to inflation. [8]

(b) Assess the view that the effects of a high rate of inflation are always more damaging for consumers than for firms. [12]

A-Level Economics: **s25 11**

19 Which statement is **not** correct?

A The long-run aggregate supply curve can be downward sloping.

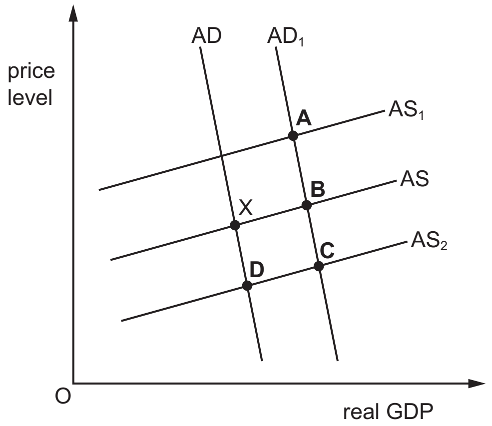
B The long-run aggregate supply curve can be horizontal.

C The long-run aggregate supply curve can be upward sloping.

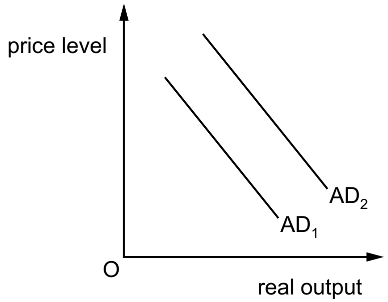
D The long-run aggregate supply curve can be vertical.

25 The diagram shows aggregate demand (AD) and aggregate supply (AS) curves. The initial equilibrium is at X. A government decides to invest in an increase in infrastructure.

What will be the short-term effect of this policy on the equilibrium?



17 The diagram shows a shift in the Aggregate Demand curve, from AD_1 to AD_2.



What might have caused this shift?

A a fall in the budget surplus

B a fall in the trade surplus

C a rise in imports

D a rise in the interest rate

A-LEVEL ECONOMICS • EXERCISE SHEET

4.4 Economic growth

Name: ___________ Class: ________ Date: __________ **Total: 25 marks**

KEY WORDS economic growth 经济增长 • potential growth 潜在增长 • actual growth 实际增长 • business cycle 经济周期 • actual versus potential 实际与潜在

Objective

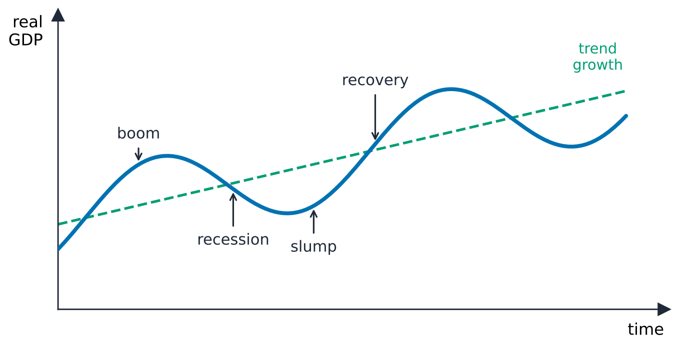
Build the skills to answer exam questions on **economic growth** 经济增长 — **actual versus potential** 实际与潜在 growth, the causes of growth, the **business cycle** 经济周期, and the costs and benefits of growth.

You must be able to:

- distinguish actual from potential growth
- explain the causes of economic growth
- analyse the costs and benefits of growth

1 Worked examples

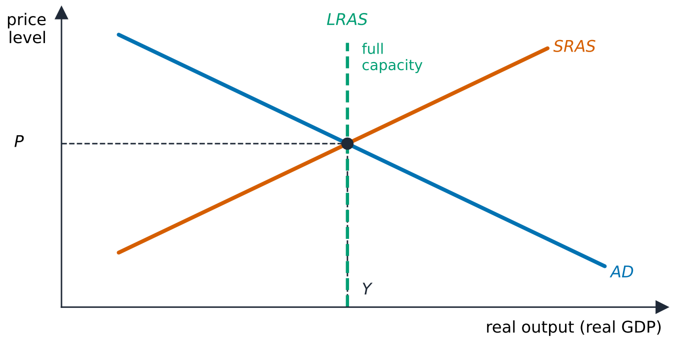
Growth and the business cycle



boom → recession → slump → recovery (around the growth trend)

Output does not grow smoothly — it cycles around a rising trend

- **Actual growth** 实际增长: the rise in output that really happens. **Potential growth** 潜在增长: a rise in capacity (LRAS shifts out).



short-run equilibrium: $AD = SRAS$ · long-run capacity: vertical $LRAS$

On AD–AS: actual growth = AD shifting right; potential growth = LRAS shifting right

- **Causes:** more/better factors — a bigger or more skilled workforce, investment, new technology, higher **productivity** 生产率.
- **Cycle: boom** 繁荣 → **recession** 衰退 → **slump** 萧条 → **recovery** 复苏.

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

2 Practice

2.1 Define the term *economic growth*. [2]

2.2 State the difference between *actual* and *potential* growth. [2]

2.3 State the four phases of the business cycle. [2]

3 Exam-style questions

3.1 Potential economic growth is shown by: [1]

- **A** a movement from inside the PPC towards it
- **B** an outward shift of the LRAS curve
- **C** a rise in the price level
- **D** a leftward shift of AD

3.2 Explain two causes of potential economic growth. [6]

3.3 Discuss whether economic growth always improves living standards. [12]

Solutions

Economics answers are marked by **level of response** against the assessment objectives: award **AO1** knowledge, **AO2** application, **AO3** analysis and **AO4** evaluation.

2.1 an increase in a country's real output (real GDP) over time (2 for a clear definition; 1 for a partial idea).

2.2 actual growth is the real rise in output that occurs; potential growth is a rise in the economy's productive capacity (the LRAS shifting out) (2 for a clear difference; 1 for a partial idea).

2.3 boom, recession, slump, recovery (2 for all four; 1 for a partial list).

3.1 B. Potential growth is an outward shift of LRAS.

3.2 *[6]* For **each** of two causes: AO1 1 + AO3 up to 2 — e.g. *investment*: more capital per worker → higher productivity → greater capacity. *Education/training*: a more skilled workforce → higher output per worker → LRAS shifts out. Maximum 3 each.

3.3 *[12]* AO1/AO2/AO3 up to 8 + AO4 up to 4. **For:** growth raises incomes, jobs, tax revenue and can cut poverty. **Against:** it may cause inflation, pollution and resource depletion, and can widen inequality if the gains are unevenly shared. Judgement: growth usually improves living standards, but whether it *always* does depends on its type (sustainable vs polluting) and how the gains are distributed.

17 GDP of a country measured at current market prices was \$1000bn in year 1. This had risen to \$1100bn in year 2.

Over the same period the general price level had risen by 5%.

What has happened to real GDP?

A Real GDP fell by approximately 5%.

B Real GDP fell by approximately 10%.

C Real GDP rose by approximately 5%.

D Real GDP rose by approximately 10%.

22 What is **not** a government macroeconomic policy objective?

A economic growth

B income equality

C low unemployment

D price stability

A-Level Economics: **w25 12**

25 What is the **least** likely consequence of rapid economic growth?

A high levels of pollution

B large deficit on the current account of the balance of payments

C large deficit in the government's budget balance

D more congestion on the roads

A-Level Economics: **w25 13**

3 What would be an opportunity cost of growth in an economy?

A the faster growth of services than of manufacturing

B the need for an increased level of imported raw materials

C the need for greater government intervention

D the reduction of consumption if growth requires investment

A-Level Economics: **w25 14**

17 What is required to prevent a rising price level due to an increase in aggregate demand?

A Additional productive capacity must be created.

B Government investment must remain at a constant level to stabilise supply.

C Greater reliance must be placed on imported goods to overcome any domestic shortfalls.

D Wage rates must change more frequently aintain levels of employment and output.

1

Vietnam's 'Economic Miracle'

Thirty years ago, Vietnam was one of the poorest countries in Southeast Asia. Since then, its real GDP has increased rapidly. A series of economic and political reforms has been responsible for its so-called 'economic miracle'.

Vietnam has benefitted from the increased protectionism in trade between China and the United States (US). For example, Vietnam has increased production of goods that are substitutes to those made in China to such an extent that Vietnam is popularly referred to as 'China plus one', in recognition of its similar comparative advantage to China.

Rising export revenue is only one reason for Vietnam's spectacular economic growth. With a rapidly growing population, Vietnam has invested heavily in its human capital and physical capital in the form of infrastructure, including cheap access to the internet.

A third reason for this success is how Vietnam has moved towards trade liberalisation. This is shown through its free trade agreement with the US and its membership of organisations of countries that have agreed to trade freely with each other, such as ASEAN and the TPP. These initiatives involve the removal of tariffs and other tools of protection, increasing the potential for Vietnam to trade with other countries.

Nevertheless, there are possible dangers in this strategy. Vietnam's economy is heavily dependent on its exports which in 2017 were over 90% of GDP. This reliance puts Vietnam at risk from downturns in the global economy and in the economies of its main trading partners. Even more worrying is the repeated threat from the US that it may put import tariffs on manufactured goods from Vietnam.

Source: World Economic Forum, 2018

Table 1.1 Vietnam's balance of trade in goods and services and real GDP growth, 2009 to 2018

	Balance of trade in goods and services ('000 billion dong)[1]	Real GDP growth (% change from previous year)
2009	–188 557	5.4
2010	–177 215	6.4
2011	–114 887	6.2
2012	+113 697	5.3
2013	+77 350	5.4
2014	+128 965	6.0
2015	+33 169	6.7
2016	+115 342	6.2
2017	+140 282	6.8
2018	na	7.1

[1] *The dong is Vietnam's currency.*

Source: Trading Economics, August 2019

(a) Using the data in Table 1.1, compare Vietnam's balance of trade in goods and services between 2009 and 2011 with that from 2015 to 2017. [2]

(b) **(i)** Explain the relationship you would expect between the annual change in the balance of trade in goods and services and the annual change in real GDP growth. [2]

(ii) Consider the extent to which this relationship is evident in the data in Table 1.1. [2]

(c) Using the information provided, explain **one** supply-side reason why Vietnam has experienced 'spectacular economic growth'. [2]

(d) Assess the likely macroeconomic effects of pressure on the exchange rate of the Vietnamese dong arising from Vietnam's increased exports. [6]

(e) Assess whether Vietnam's 'economic miracle' is likely to persist over the next few years. [6]

Section B

Answer **one** question.

EITHER

A-LEVEL ECONOMICS • EXERCISE SHEET

4.5 Unemployment

Name: ____________ Class: ________ Date: __________ **Total: 24 marks**

KEY WORDS unemployment 失业 • cyclical 周期性 • cyclical unemployment 周期性失业 • structural 结构性 • structural unemployment 结构性失业

Objective

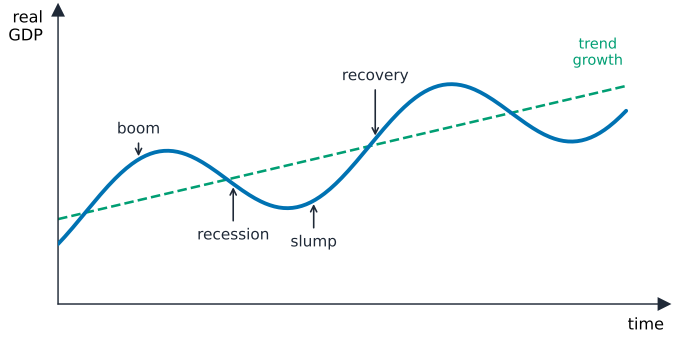
Build the skills to answer exam questions on **unemployment** 失业 — how it is measured, its **types and causes** 类型与原因 (frictional, structural, cyclical, seasonal), and its consequences.

You must be able to:

- define and measure unemployment (claimant count, labour force survey)
- distinguish the four types of unemployment
- analyse the consequences of unemployment

1 Worked examples

■ **Types of unemployment**

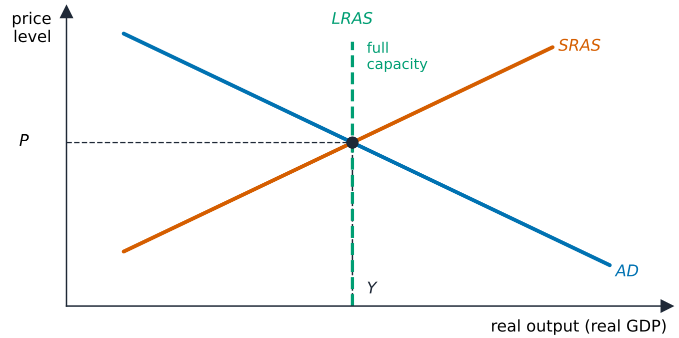


boom → recession → slump → recovery (around the growth trend)

Cyclical unemployment is tied to the business cycle

- **Measuring: claimant count** 申领救济人数 (only benefit claimants) and the **labour force survey** 劳动力调查 (international standard).

- **Frictional** 摩擦性: short-term, between jobs. **Structural** 结构性: skills no longer match jobs.
- **Cyclical** 周期性: low AD in a recession (usually the largest). **Seasonal** 季节性: only certain times of year.



short-run equilibrium: *AD* = *SRAS* · long-run capacity: vertical *LRAS*

On AD–AS: a leftward shift of AD cuts real output below full capacity → cyclical unemployment

- **Consequences:** wasted output, lost income, higher benefit cost, social harm.

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

2 Practice

2.1 Define the term *unemployment*. [2]

2.2 State two types of unemployment. [2]

2.3 State one consequence of unemployment for the government. [1]

3 Exam-style questions

3.1 Unemployment caused by a fall in aggregate demand during a recession is: [1]

- **A** frictional unemployment
- **B** structural unemployment
- **C** cyclical unemployment
- **D** seasonal unemployment

3.2 Explain the difference between **structural** and **cyclical** unemployment. [6]

3.3 Discuss the consequences of a sharp rise in unemployment for an economy. [12]

Solutions

Economics answers are marked by **level of response** against the assessment objectives: award **AO1** knowledge, **AO2** application, **AO3** analysis and **AO4** evaluation.

2.1 people who are able and willing to work and are actively looking for a job, but cannot find one (2 for a clear definition; 1 for a partial idea).

2.2 any two of: frictional; structural; cyclical; seasonal (1 + 1).

2.3 any one of: more spent on unemployment benefits; less tax revenue collected (1).

3.1 C. A fall in AD in a recession causes cyclical unemployment.

3.2 *[6]* AO1 1 + AO3 up to 5 — structural unemployment occurs when an industry declines and workers' skills no longer match available jobs (a long-term mismatch); cyclical unemployment is caused by low aggregate demand in a recession and falls again when demand recovers.

3.3 *[12]* AO1/AO2/AO3 up to 8 + AO4 up to 4. **Costs:** lost output (the economy produces inside its PPC), lower incomes and consumption, higher government benefit spending and lower tax, plus social harm (crime, ill health). **But:** some unemployment is frictional and short-lived, and the effect depends on its cause and length. Judgement: a sharp rise is damaging, especially if cyclical and prolonged, but the severity depends on the type and how quickly the economy recovers.

26 A country's currency depreciates in terms of other currencies.

What would be a consequence of this depreciation?

A There would be a decrease in structural unemployment.

B There would be a decrease in the volume of exports.

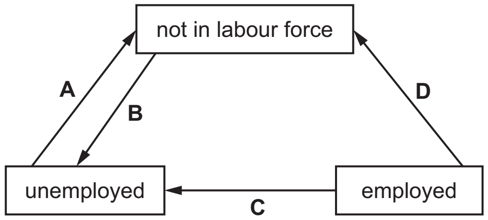
C There would be an increase in cost-push inflationary pressure.

D There would be an increase in the budget deficit.

A-Level Economics: **w25 14**

16 The diagram shows three groups of people with four possible flows between them.

Which flow indicates that people have become discouraged from seeking work?



A-Level Economics: **w25 21**

4 **(a)** Explain the possible causes of frictional unemployment and technological unemployment **and** consider whether some element of frictional unemployment is inevitable in an economy. [8]

(b) Assess whether the consequences of technological unemployment are likely to be more serious than those of cyclical unemployment. [12]

OR

A-Level Economics: **w25 24**

5 **(a)** Explain the difference between structural unemployment and cyclical unemployment **and** consider the extent to which structural unemployment is likely to be more damaging to an economy than cyclical unemployment. [8]

(b) Low unemployment is a macroeconomic policy objective for a government.

Assess the extent to which this is most likely to be achieved by supply-side policy. [12]

18 An economy's manufacturing share of real GDP fell from 30% in 1990 to 12% in 2023.

Which type of unemployment would have resulted from this?

A cyclical

B frictional

C structural

D voluntary

A-Level Economics: **s25 12**

19 What is most likely to cause an unemployed worker to be classified as frictionally unemployed?

A lack of relevant skills for vacant jobs

B lack of up-to-date job vacancy information

C greater use of technology in the production process

D an increase in regional pay inequality

A-Level Economics: **Specimen 1**

20 A large coal mine is forced to close because of falling demand for coal as consumers switch to less polluting fuels. The government organises retraining courses and recruitment events for the coal mine workers.

Which type of unemployment is the government trying to reduce?

A cyclical

B seasonal

C structural

D technological

A-LEVEL ECONOMICS • EXERCISE SHEET

4.6 Price stability

Name: ____________ Class: ________ Date: __________ **Total: 26 marks**

KEY WORDS inflation 通货膨胀 • cost-push 成本推动 • demand-pull 需求拉动 • deflation 通货紧缩 • disinflation 反通胀

Objective

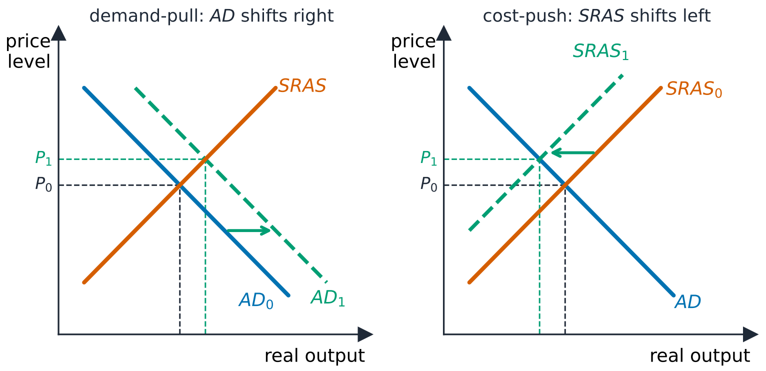
Build the skills to answer exam questions on **price stability 价格稳定** — **inflation, deflation and disinflation 通胀、通缩与反通胀**, the **consumer price index 消费者价格指数** (CPI), the **causes** (demand-pull and cost-push), and the consequences.

You must be able to:

- define inflation, deflation and disinflation, and explain the CPI
- distinguish **demand-pull 需求拉动** from **cost-push 成本推动** inflation
- analyse the consequences of inflation and deflation

1 Worked examples

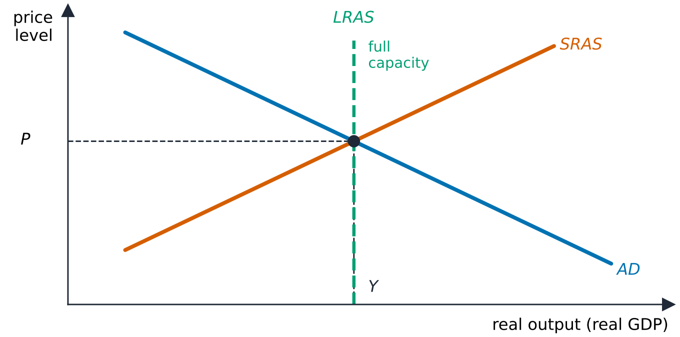
■ Causes of inflation



demand-pull: *AD* shifts right · cost-push: *SRAS* shifts left (higher *P*, lower *Y*)

Both raise the price level, but for different reasons

- **Inflation** 通货膨胀: a sustained rise in the general price level (money's **purchasing power** 购买力 falls).
- **Deflation** 通货紧缩: prices fall; **disinflation** 反通胀: inflation is positive but slowing.
- **CPI** 消费者价格指数: tracks a weighted basket of goods.
- **Demand-pull:** AD rises faster than AS. **Cost-push:** rising costs shift SRAS left.



short-run equilibrium: *AD* = *SRAS* · long-run capacity: vertical *LRAS*

On AD–AS: demand-pull = AD shifts right; cost-push = SRAS shifts left — both raise the price level

Answer shapes: an **Explain** [**up to 8**] answer may use an AD–AS diagram (AO3); **Discuss** [**12**] adds a judgement (AO4).

2 Practice

2.1 Define the term *inflation*. [2]

2.2 State the difference between *demand-pull* and *cost-push* inflation. [2]

2.3 State one group harmed by inflation. [1]

3 Exam-style questions

3.1 A rise in the general price level caused by higher production costs is: [1]

- **A** demand-pull inflation
- **B** cost-push inflation
- **C** disinflation
- **D** deflation

3.2 Using an AD–AS diagram, explain how demand-pull inflation occurs. [8]

3.3 Discuss whether inflation is always harmful to an economy. [12]

Solutions

Economics answers are marked by **level of response** against the assessment objectives: award **AO1** knowledge, **AO2** application, **AO3** analysis and **AO4** evaluation.

2.1 a sustained rise in the general price level, which lowers the purchasing power of money (2 for a clear definition; 1 for a partial idea).

2.2 demand-pull inflation comes from aggregate demand rising faster than supply; cost-push inflation comes from rising costs shifting SRAS left (2 for a clear difference; 1 for a partial idea).

2.3 any one of: people on fixed incomes; savers; exporters (whose goods become dearer) (1).

3.1 B. Higher production costs cause cost-push inflation.

3.2 *[8]* AO1 1 + **AO3 diagram up to 4** (AD shifts right along an upward-sloping SRAS, price level rises) + AO2/AO3 up to 3 — when AD rises faster than supply, "too much money chases too few goods" → firms raise prices → the price level rises; near full capacity the rise is mostly in prices.

3.3 *[12]* AO1/AO2/AO3 up to 8 + AO4 up to 4. **Harmful:** inflation cuts purchasing power, hurts fixed-income groups and savers, creates uncertainty and makes exports dearer. **But:** low, stable inflation can signal healthy demand and helps borrowers, while deflation can be worse (delayed spending, falling output). Judgement: high or volatile inflation is harmful, but low, stable inflation is generally acceptable — it depends on the rate and whether it is anticipated.

27 The terms of trade of a developing country fell from 90 in 2010 to 80 in 2015.

Assuming the index of its import prices remained constant at 110 between these two years, what happened to its index of export prices?

A fell by 10

B fell by 11

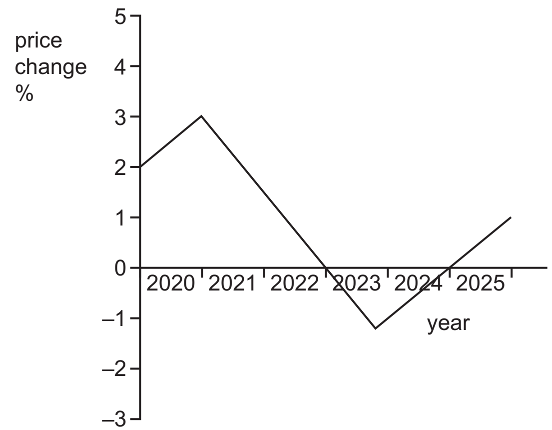
C increased by 10

D increased by 30

A-Level Economics: **w25 13**

22 The diagram shows changes in a country's price level over a number of years.

During which period of time did **only** disinflation occur?



A from the start of 2020 to the end of 2025

B from the start of 2021 to the end of 2022

C from the start of 2021 to the end of 2023

D from the start of 2023 to the end of 2024

A-Level Economics: **w25 23**

4 **(a)** For your economy or for one that is known to you, explain **three** causes of inflation **and** consider which of these causes is likely to be most important in 2025. [8]

(b) Assess whether supply-side policy or demand-side policy is the better way of reducing this inflation. [12]

OR

16 Price stability can be said to occur if the measured value of the consumer prices index (CPI) is unchanged during the year.

Which statement is correct?

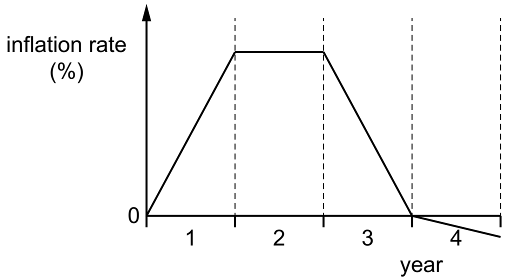
A For price stability to occur, there must be no changes in prices of any products.

B For price stability to occur, the number of products whose prices rise must exactly match the number whose prices fall.

C If some prices rise and others fall, there cannot be price stability.

D Different weightings of items used in the calculation of CPI mean that price stability can occur in many ways.

18 The diagram shows the change in an economy's rate of inflation over 4 years.



What happened to the general price level over the 4 years?

	year 1	year 2	year 3	year 4
A	constant	constant	decreased	constant
B	increased	constant	decreased	decreased
C	increased	increased	increased	constant
D	increased	increased	increased	decreased