Week 42

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

   ____

2. Which is a benefit of economic growth?
   - ☐ higher living standards and more jobs
   - ☐ guaranteed lower inflation
   - ☐ automatic equality
   - ☐ less government revenue
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:
   - ☐ unit of account
   - ☐ medium of exchange
   - ☐ store of value
   - ☐ standard of deferred payment
5. Which is an injection into the circular flow?
   - ☐ government spending
   - ☐ saving
   - ☐ imports
   - ☐ taxation
6. A potential cost of rapid economic growth is:
   - ☐ environmental damage and resource depletion
   - ☐ falling incomes
   - ☐ higher unemployment always
   - ☐ lower GDP
7. Unemployment caused by a mismatch between workers' skills and available jobs is:
   - ☐ structural
   - ☐ frictional

☐ cyclical

☐ seasonal

8. Commercial banks create money when they make loans.

☐ True ☐ False

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

☐ True ☐ False

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

☐ True ☐ False

9. The macroeconomy (A Level)

A-Level Economics

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) × 100 = 7.5%.

4. **unit of account**

   A unit of account lets us measure and compare values.

5. **government spending**

   Injections 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. **True**

   Lending creates new deposits — most money is bank-created credit, not cash.

9. **True**

   More leaks out of the flow each round, so re-spending — and the multiplier — is smaller.

10. **True**

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

A-LEVEL ECONOMICS • EXERCISE SHEET

9.1 The circular flow of income

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

KEY WORDS multiplier 乘数 • marginal propensity to save 边际储蓄倾向 • investment 投资 • accelerator 加速数 • leakages 漏出

Objective

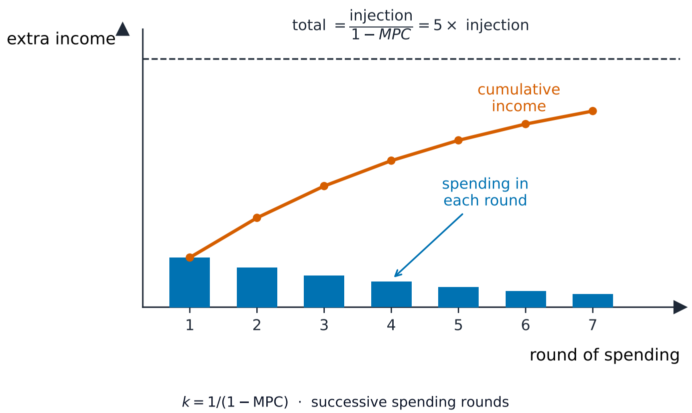
Build the skills to answer exam questions on **the circular flow of income** 收入循环流 at A Level — the **multiplier** 乘数, the **accelerator** 加速数, and what drives **consumption, saving and investment** 消费、储蓄与投资.

You must be able to:

- calculate the multiplier from the MPC
- explain the accelerator
- analyse the determinants of consumption, saving and investment

1 Worked examples

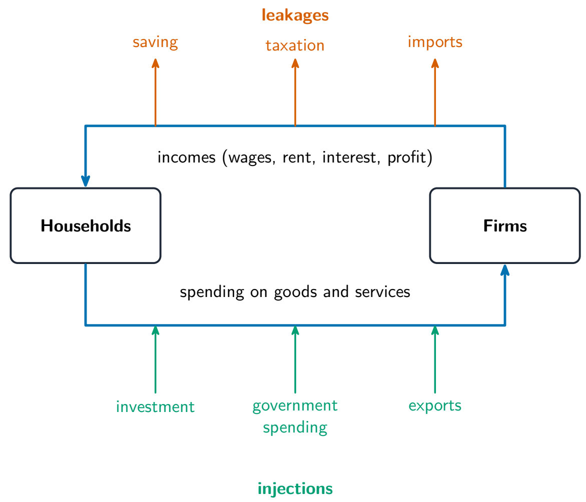
■ The multiplier



Each round of spending is smaller by the MPC

$$\text{multiplier} = \frac{1}{1-MPC}$$

- **Worked:** if MPC = 0.8, multiplier = $\frac{1}{1-0.8}$ = 5 → a \$10m injection raises income by \$50m.
- A **bigger MPC** (smaller leakages) gives a bigger multiplier.



The multiplier works inside the circular flow: an injection circulates as repeated spending

- **Accelerator** 加速数: investment depends on the **rate of change** of output.

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

2 Practice

2.1 Define the term *multiplier*. [2]

2.2 The marginal propensity to consume is 0.75. Calculate the multiplier. [2]

2.3 State two factors that influence the level of investment. [2]

3 Exam-style questions

3.1 The value of the multiplier rises when: [1]

- **A** the marginal propensity to consume rises
- **B** the marginal propensity to save rises
- **C** the marginal propensity to import rises
- **D** the tax rate rises

3.2 The MPC is 0.6 and the government raises spending by $20m.

(a) Calculate the multiplier. [2]

(b) Calculate the total rise in national income. [2]

3.3 Discuss the usefulness of the multiplier concept for a government planning to increase its spending. [8]

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 ratio of the final change in national income to the initial change in injections that caused it (2 for a clear definition; 1 for a partial idea).

2.2 $\frac{1}{1-0.75} = \frac{1}{0.25} = 4$ (2; award 1 for a correct method with the wrong figure).

2.3 any two of: interest rates; expected profit; technology; business confidence (1 + 1).

3.1 **A**. A higher MPC means smaller leakages, so the multiplier rises.

3.2 (a) multiplier $= \frac{1}{1-0.6} = 2.5$ (2). (b) total rise $= 2.5 \times \$20\text{m} = \$50\text{m}$ (2; allow follow-through from (a)).

3.3 *[8]* AO1/AO2/AO3 up to 5 + AO4 up to 3. **Useful:** the multiplier shows that an injection raises income by more than itself, helping the government estimate the full effect of its spending on output and jobs. **Limits:** the real MPC is hard to measure and varies, leakages (saving, tax, imports) shrink the effect, and crowding out or full capacity can offset it. Judgement: the multiplier is a useful planning guide but only an estimate — its reliability depends on the size of leakages and spare capacity.

20 What may prevent a government achieving a faster rate of growth of real GDP?

A The multiplier has a small value.

B The consumer price index is below its target set by the central bank.

C The economy is operating on the vertical section of the long-run aggregate supply curve.

D There is a large negative output gap in the economy.

22 To overcome deflation in an economy the government increases the size of its budget deficit and funds this by increasing the money supply.

What is most likely to reduce the effectiveness of these measures?

A a high marginal propensity to save

B a rise in business confidence

C an inelastic demand for money

D low cash deposit ratios for commercial banks

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17 What is most likely to increase if an economy enters a negative output gap?

A business confidence

B economic growth rate

C inflation rate

D unemployment rate

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15 Which policy is most likely to lead to a reduction in the natural rate of unemployment?

A an increase in government expenditure on goods and services

B an increase in government expenditure on training schemes to address skill shortages

C an increase in the period when the unemployed are eligible for welfare benefits

D an increase in the minimum wage

16 An open economy has a positive output gap.

What is likely to be decreasing?

A expenditure on imports

B leisure time of workers

C nominal wage rates

D the general price level

19 What is an example of a demand-side macroeconomic policy that would reduce cyclical unemployment?

A an increase in government spending on new infrastructure such as roads

B an increase in government spending on retraining workers

C a reduction in the rate of tax on imports

D an increase in the rate of tax on goods and services

A-LEVEL ECONOMICS • EXERCISE SHEET

9.2 Economic growth and sustainability

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

KEY WORDS output gap 产出缺口 • sustainable growth 可持续增长 • economic growth 经济增长 • potential growth 潜在增长 • sustainability 可持续性

Objective

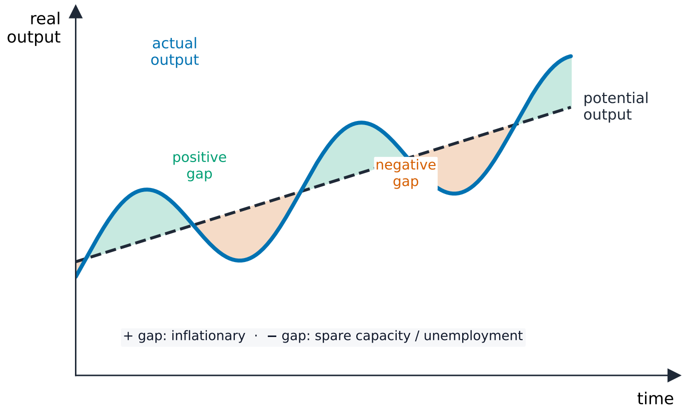
Build the skills to answer exam questions on **economic growth and sustainability** 经济增长与可持续性 — **actual versus potential** 实际与潜在 growth, the **output gap** 产出缺口, and **sustainable growth** 可持续增长.

You must be able to:

- distinguish actual from potential growth and define the output gap
- explain a positive and a negative output gap
- analyse the tension between growth and sustainability

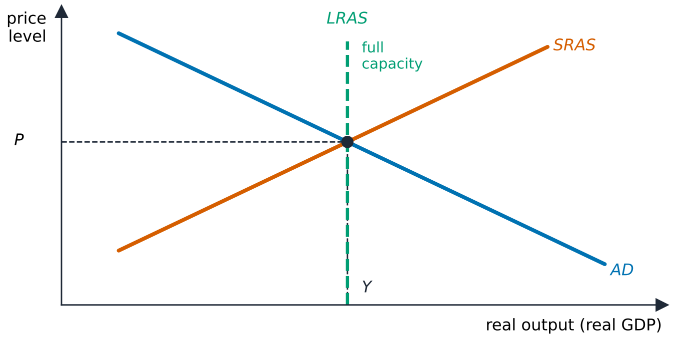
1 Worked examples

■ **The output gap and sustainability**



A positive gap is inflationary; a negative gap means spare capacity

- **Actual growth** 实际增长: real output that happens. **Potential growth** 潜在增长: a rise in capacity.
- **Output gap** 产出缺口: actual − potential. **Positive** gap (above potential) → inflation; **negative** gap → unemployment.
- **Sustainable growth** 可持续增长: meets today's needs without harming future generations.



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

Sustainable growth comes from shifting LRAS right (capacity), not just boosting AD

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

2 Practice

2.1 Define the term *output gap.* [2]

2.2 State what a **positive** output gap tends to cause. [1]

2.3 Define the term *sustainable growth.* [2]

3 Exam-style questions

3.1 A **negative** output gap is associated with: [1]

- **A** rising inflation and full capacity
- **B** spare capacity and unemployment
- **C** an outward shift of the PPC
- **D** a current account surplus

3.2 Explain the difference between actual and potential economic growth. [6]

3.3 Discuss whether economic growth can be sustainable. [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 difference between an economy's actual output and its potential (full-capacity) output (2 for a clear definition; 1 for a partial idea).

2.2 inflationary pressure (1).

2.3 growth that meets the needs of the present without reducing the ability of future generations to meet their own needs (2 for a clear definition; 1 for a partial idea).

3.1 B. A negative output gap means spare capacity and unemployment.

3.2 *[6]* AO1 2 + AO3 up to 4 — actual growth is the real rise in output that occurs (a movement towards or along the PPC/LRAS); potential growth is a rise in the economy's productive capacity (the PPC/LRAS shifting outward) → one is what is produced, the other is what *could* be produced.

3.3 *[12]* AO1/AO2/AO3 up to 8 + AO4 up to 4. **For:** growth from better technology, education and renewable resources can raise output without exhausting resources or harming the environment. **Against:** fast growth often uses non-renewable resources and causes pollution, threatening future generations. Judgement: growth *can* be sustainable if it is based on productivity, clean technology and renewable resources, but unchecked resource-heavy growth is not — it depends on how growth is achieved.

13 Which stage of the business (trade) cycle is most likely to be characterised by an increasing negative output gap?

A boom

B recession

C recovery

D trough

26 Which combination of events would cause the biggest increase in real GDP per capita?

	GDP	population	general price level
A	rises	falls	falls
B	rises	falls	rises
C	rises	rises	falls
D	rises	rises	rises

15 What leads to an inflationary gap?

A Aggregate demand is greater than the maximum potential output of the economy.

B Investment increases at a greater rate than profits received by a firm.

C The economy is operating below its full capacity.

D Innovation results in increased productivity in the economy.

28 A multinational company is planning to invest in a new factory in a low-income country.

What is **not** a possible benefit to the low-income country?

A acquiring improved technology

B better training for the workforce

C extra tax revenue for the government

D increased competition for small domestic producers

A-LEVEL ECONOMICS • EXERCISE SHEET

9.3 Employment/unemployment

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

KEY WORDS natural rate 自然失业率 • phillips curve 菲利普斯曲线 • structural unemployment 结构性失业 • employment and unemployment 就业与失业 • unemployment 失业

Objective

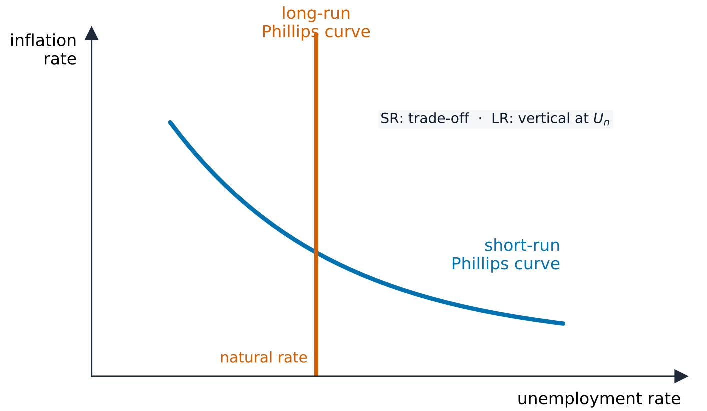
Build the skills to answer exam questions on **employment and unemployment** 就业与失业 at A Level — the **types** of unemployment, the **natural rate** 自然失业率, and the **Phillips curve** 菲利普斯曲线.

You must be able to:

- distinguish the types of unemployment and define the natural rate
- explain the short-run and long-run Phillips curve
- analyse the unemployment–inflation trade-off

1 Worked examples

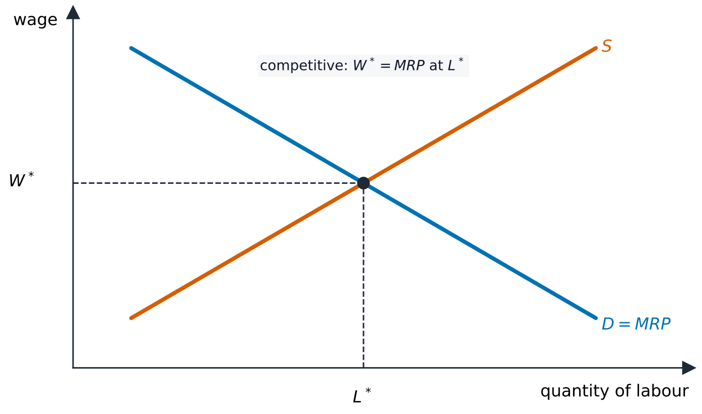
The Phillips curve



Short run: a trade-off; long run: vertical at the natural rate

- **Natural rate of unemployment** 自然失业率: what remains when the labour market is in balance (frictional + structural) — not removable by raising demand alone.

- **Short-run Phillips curve:** lower unemployment ↔ higher inflation (a trade-off).
- **Long-run Phillips curve:** vertical at the natural rate — no lasting trade-off once inflation is expected.



The natural rate is rooted in the labour market — frictional and structural unemployment at the equilibrium wage

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

2 Practice

2.1 Define the term *natural rate of unemployment.* [2]

2.2 State what the **short-run** Phillips curve shows. [2]

2.3 State the shape of the **long-run** Phillips curve. [1]

3 Exam-style questions

3.1 The long-run Phillips curve is: [1]

- **A** downward sloping
- **B** upward sloping
- **C** vertical at the natural rate of unemployment
- **D** horizontal

3.2 Explain the short-run trade-off between unemployment and inflation. [6]

3.3 Discuss whether a government can permanently reduce unemployment below the natural rate. [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 rate of unemployment that remains when the labour market is in equilibrium — mainly frictional and structural unemployment (2 for a clear definition; 1 for a partial idea).

2.2 an inverse (trade-off) relationship between unemployment and inflation — lower unemployment comes with higher inflation (2 for a clear statement; 1 for a partial idea).

2.3 vertical (at the natural rate) (1).

3.1 C. The long-run Phillips curve is vertical at the natural rate.

3.2 *[6]* AO1 1 + AO3 up to 5 — to cut unemployment, a government raises aggregate demand → firms hire more, but stronger demand pushes up wages and prices → inflation rises → so in the short run lower unemployment is bought at the cost of higher inflation (a movement along the short-run Phillips curve).

3.3 *[12]* AO1/AO2/AO3 up to 8 + AO4 up to 4. **Short run:** raising demand can cut unemployment below the natural rate for a while. **Long run:** once workers expect higher inflation, they demand higher wages → unemployment returns to the natural rate while inflation stays high → the long-run Phillips curve is vertical. Judgement: demand policy cannot permanently lower unemployment below the natural rate; only supply-side policies that cut the natural rate (better skills, more flexible labour markets) can — it depends on tackling frictional and structural unemployment.

A-LEVEL ECONOMICS • EXERCISE SHEET

9.4 Money and banking

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

KEY WORDS liquidity 流动性 • interest rate 利率 • liquidity preference 流动性偏好 • money supply 货币供给 • moral hazard 道德风险

Objective

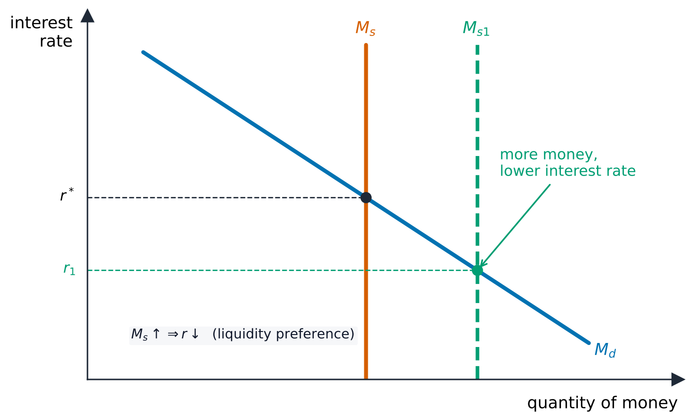
Build the skills to answer exam questions on **money and banking** 货币与银行 — the **functions of money** 货币职能, the role of the **central and commercial banks** 中央与商业银行, **liquidity preference** 流动性偏好, and **moral hazard** 道德风险.

You must be able to:

- state the four functions of money
- explain the roles of central and commercial banks
- analyse how the interest rate is set and the risk of moral hazard

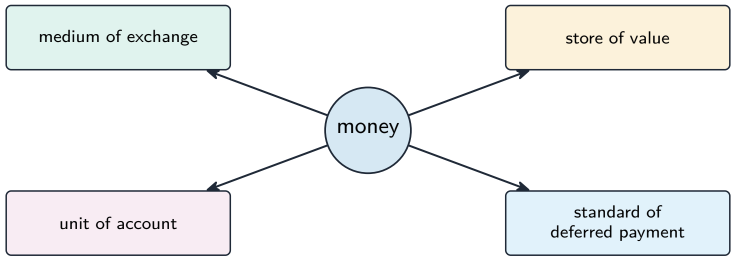
1 Worked examples

■ Money and the money market



A larger money supply tends to lower the interest rate

- **Four functions of money: medium of exchange** 交换媒介, **store of value** 价值储藏, **unit of account** 记账单位, **standard of deferred payment** 延期支付标准.



The four functions of money, which a definition question expects you to name

- **Central bank** 中央银行: issues notes, runs monetary policy, **lender of last resort** 最后贷款人. **Commercial banks** create money by lending.
- **Liquidity preference** 流动性偏好: the demand to hold money → with money supply, sets the **interest rate** 利率.
- **Moral hazard** 道德风险: banks take bigger risks if they expect a bailout.

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

2 Practice

2.1 State the four functions of money. [2]

2.2 Define the term *liquidity preference*. [2]

2.3 Define the term *moral hazard*. [2]

3 Exam-style questions

3.1 Which is **not** a function of money? [1]

- **A** a medium of exchange
- **B** a store of value
- **C** a factor of production
- **D** a unit of account

3.2 Explain how an increase in the money supply affects the interest rate. [6]

3.3 Discuss whether moral hazard means governments should never rescue failing banks. [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 medium of exchange; store of value; unit of account; standard of deferred payment (2 for all four; 1 for two or three).

2.2 the demand to hold money rather than other assets, because of its liquidity (the ability to spend it at once) (2 for a clear definition; 1 for a partial idea).

2.3 the risk that a party takes bigger risks because it expects to be protected from the consequences (e.g. a bank expecting a bailout) (2 for a clear definition; 1 for a partial idea).

3.1 **C**. A factor of production is not a function of money.

3.2 *[6]* AO1 1 + AO3 up to 5 — with money demand (liquidity preference) downward-sloping, a larger money supply means there is more money than people wish to hold at the current rate → they lend the surplus, bidding the interest rate down → the rate falls until demand for money equals the new, larger supply.

3.3 *[12]* AO1/AO2/AO3 up to 8 + AO4 up to 4. **For not rescuing:** bailouts create moral hazard — banks lend recklessly expecting rescue, raising future risk. **Against:** letting a major bank fail can trigger a wider financial crisis, freezing lending and harming the whole economy. Judgement: a blanket "never rescue" rule is risky; the better answer is to rescue only where failure threatens the system, while adding regulation to limit moral hazard — it depends on the bank's systemic importance.

14 Which statement about the quantity theory of money is correct?

A It suggests changes in liquidity preference lead to proportional changes in the price level.

B It suggests changes in the money supply lead to proportional changes in the price level.

C It suggests changes in the price level lead to proportional changes in liquidity preference.

D It suggests changes in the price level lead to proportional changes in the money supply.

15 What is a part of Keynesian economic analysis?

A a liquidity trap below which interest rates are ineffective

B an equilibrium price that always clears the market

C a small value for the government expenditure multiplier

D a vertical short-run aggregate supply curve

21 A fall in domestic investment leads to an increase in unemployment.

Which other economic problem is likely to occur as a result?

A an increase in interest rates on loans for house purchases

B an increase in the current account balance of payments deficit

C an increase in the government budget deficit

D an increase in the rate of price inflation

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13 What is likely to reduce the domestic money supply?

A Banks being allowed to hold a lower liquidity ratio.

B Individuals choosing to hold more money in the form of idle balances.

C The government financing its budget deficit by borrowing from the banking sector.

D The government increasing its borrowing from other countries.

19 What would cause an individual's demand curve for an active money balance to move to the left?

A an increase in the frequency of income payments

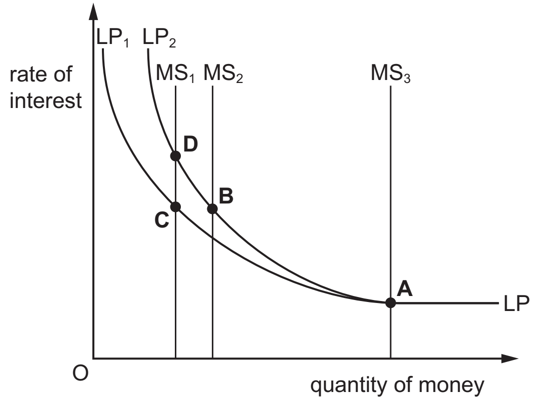
B an increase in the general price level

C an increase in the individual's income

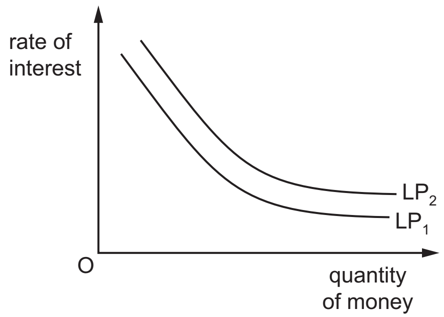
D an increase in the rate of interest

14 Sometimes monetary policy is ineffective. The supply of money (MS) is assumed to be controlled by the central bank. The demand for money is LP. There has been an increase in real income in the economy.

Which position on the diagram makes expansionary monetary policy ineffective?



20 The diagram shows two liquidity preference curves LP_1 and LP_2.



What would cause the liquidity preference curve to shift from LP_1 to LP_2?

A There has been a fall in national income.

B There has been a rise in the general price level.

C There has been an increase in government borrowing.

D There has been an increase in the rate of interest.

22 A government decides to raise most of its revenues from indirect taxes.

What would increase the effectiveness of this policy?

A an increasing trend towards bartering of goods

B increasing interest rates on household savings

C increasing occurrence of informal markets in the economy

D placing taxes on goods and services which have a price-inelastic demand