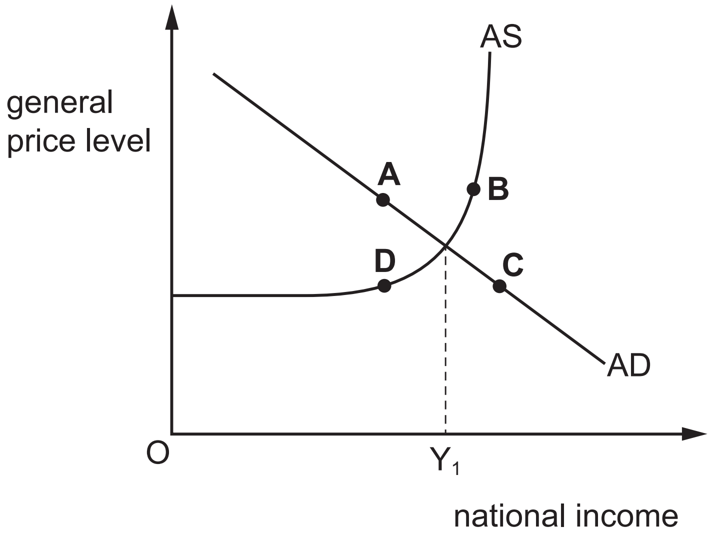
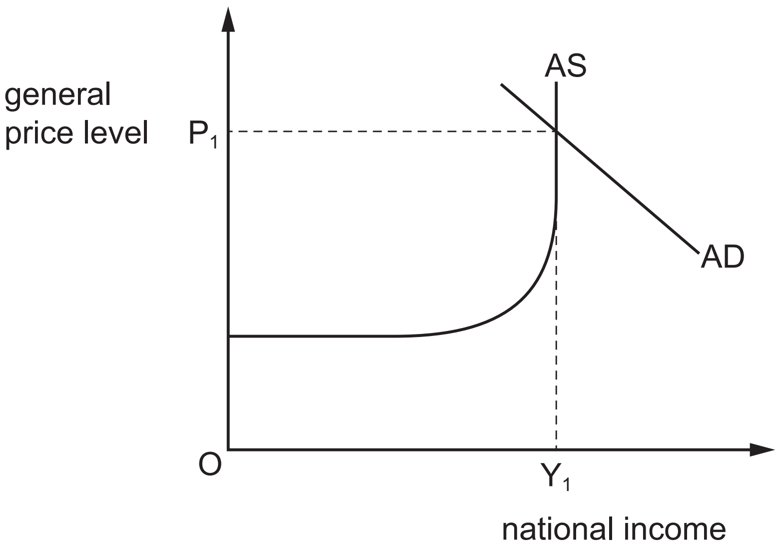
21 The diagram shows the AD and AS curves for a low income country. Oil and gas make up 90% of its exports. The initial equilibrium level of national income is Y_1.

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



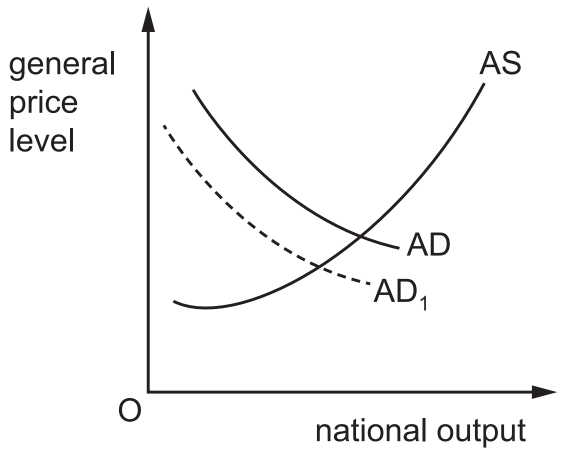
16 The diagram shows the AD and AS curves for a country. The equilibrium level of national income is Y_1 and the general price level is P_1.



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

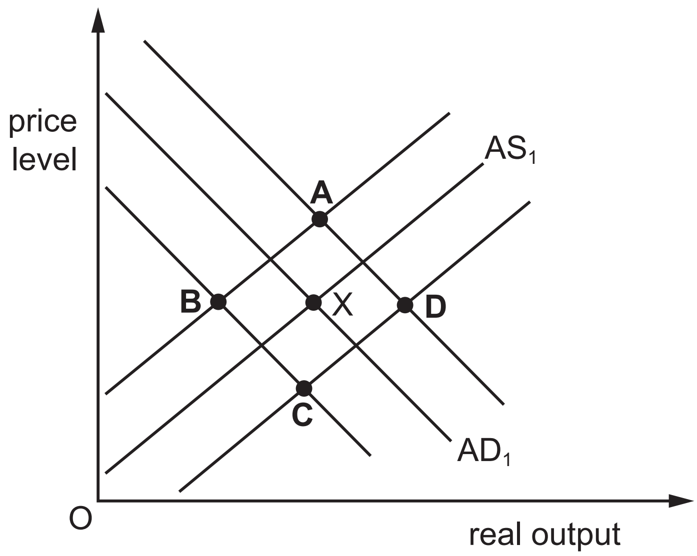
22 What is the effect of an increase in the money supply on the interest rate and the aggregate demand (AD) curve?

	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.

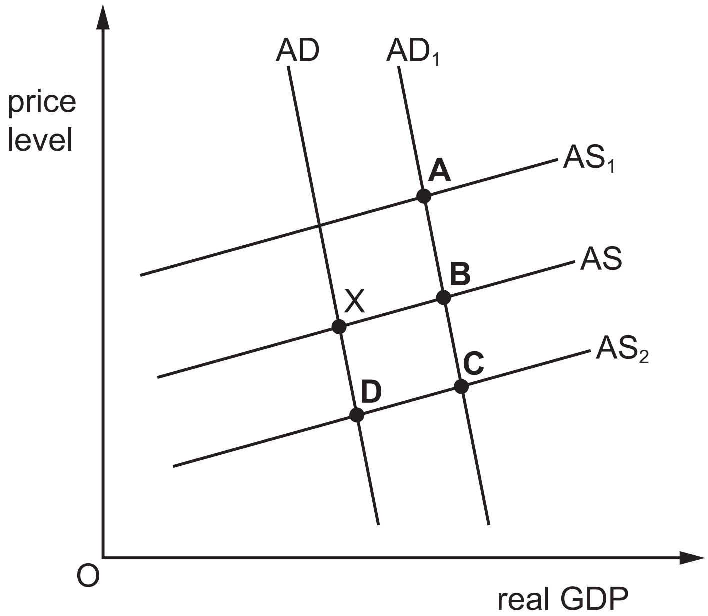
B The long-run aggregate supply curve can be horizontal.

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

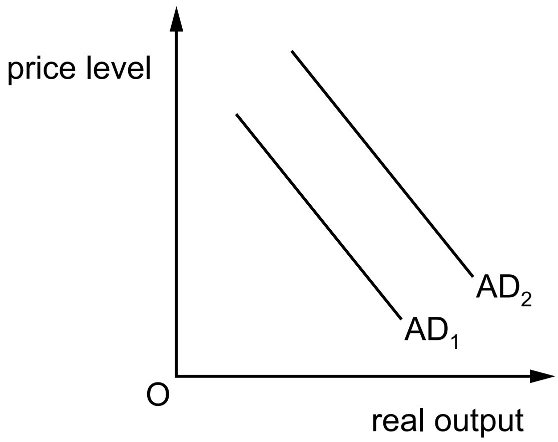
D The long-run aggregate supply curve can be vertical.

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