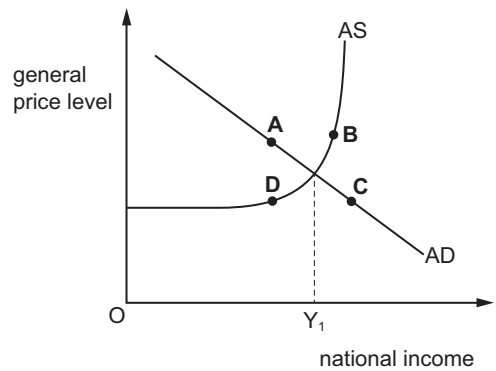
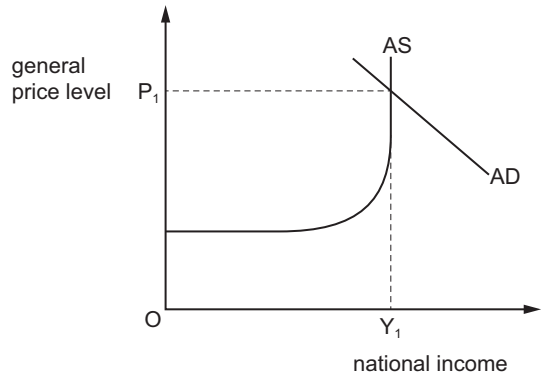


21 The diagram shows the AD and AS curves for a low income country. Oil and gas make up 90% of its exports. The initial equilibrium level of national income is Y_1 .

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



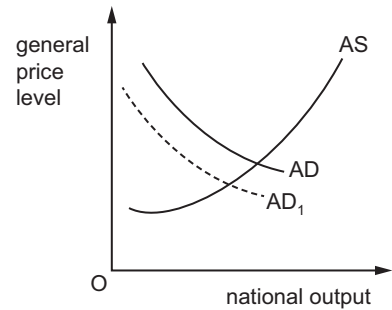
16 The diagram shows the AD and AS curves for a country. The equilibrium level of national income is Y_1 and the general price level is P_1 .



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 AD₁?

- 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

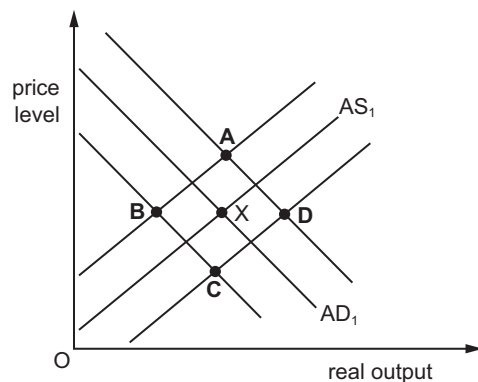
22 What is the effect of an increase in the money supply on the interest rate and the aggregate demand (AD) curve?

	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?



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- 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]

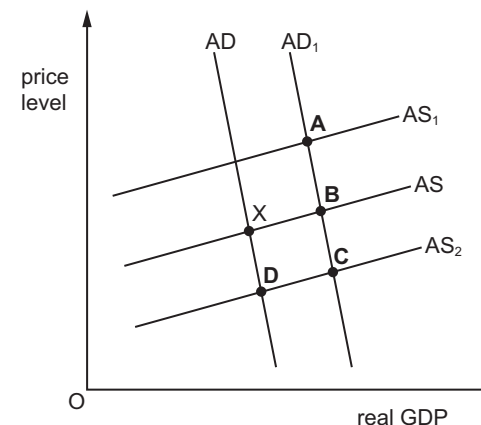
A-Level Economics: s25 11

- 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.

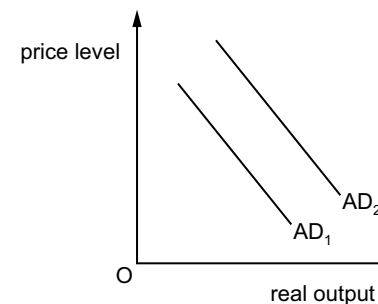
- 25 The diagram shows aggregate demand (AD) and aggregate supply (AS) curves. The initial equilibrium is at X. A government decides to invest in an increase in infrastructure.

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



A-Level Economics: Specimen 1

- 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