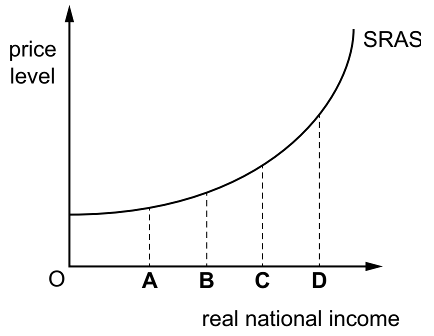
19 The diagram shows the short-run Aggregate Supply (SRAS) curve of an economy.

At which equilibrium level of national income is a reduction in the rate of interest likely to cause the greatest inflationary increase for the economy?



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

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%.

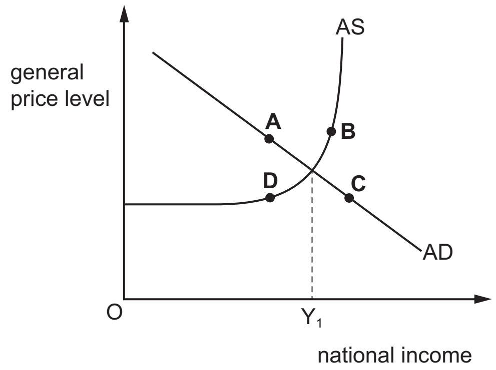
B Real GDP fell by approximately 10%.

C Real GDP rose by approximately 5%.

D Real GDP rose by approximately 10%.

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?



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

A economic growth

B income equality

C low unemployment

D price stability

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.

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

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?

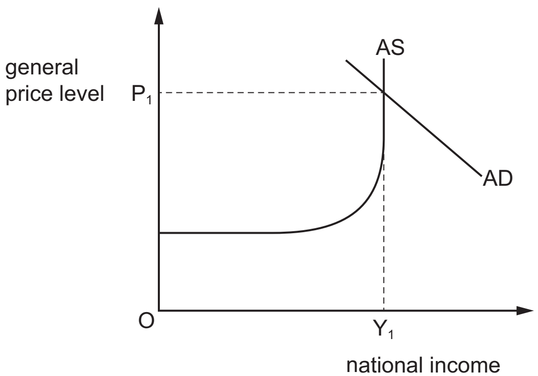
A consumer spending on goods

B expenditure on a government construction project

C spending by households on holidays abroad

D repayment of loans to commercial banks

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