

Solutions

2.1 Real GDP growth factor=nominal factor/price factor= $1.12/1.08=1.037037$. Real growth= $(1.037037-1)\times 100\%=3.70\%$. Real-per-capita factor=real factor/population factor= $1.037037/1.02=1.016703$. Per-capita real growth= $(1.016703-1)\times 100\%=1.67\%$. Dividing indices avoids treating an approximation as exact. Neither figure gives income distribution, unpaid output or environmental quality. For IAL's simple closed multiplier model, $k=1/(1-MPC)$; with $MPC=.75$, $k=4$ and a 10-million-unit injection gives modelled $\Delta Y=4\times 10=40$ million units. This requires the stated model, not a guarantee. Authored points for method, application and relevant qualification.

3.1 An AD increase can raise domestic real output when supply can respond. Saving and imports reduce successive domestic spending rounds; tax leakages may also matter. Draw an appropriate AD/AS shift and label output and price level, qualifying the size of each response by spare capacity and bottlenecks. The simple closed model omits imports and taxes, so its k is not an unconditional domestic forecast. IGCSE work does not add the IAL multiplier as a mandatory extension. Authored points for judgement, case-linked reasoning and justified qualification. Accept supported alternatives.