

5.1 Macroeconomic measures and policy: supported rehearsal

Name: _____ Class: _____ Date: _____ **Total: 6 marks**

Objective

Supported preparation: Use national-income measures and AD/AS; Evaluate monetary, fiscal and supply-side policies for growth, stability and inequality. This is original rehearsal, not completion of the assessed task.

1 Key knowledge and worked examples

Nominal output includes price changes; real output adjusts for prices; per-capita output divides by population. AD combines consumption, investment, government spending and net exports. Expansion can raise output and/or prices depending on spare capacity, expectations and supply conditions. Demand-side and supply-side policies operate through different mechanisms and time horizons.

Original source / task evidence

Task: nominal GDP rises 8%, the GDP deflator rises 5%, and population rises 2%. Estimate real and real-per-capita growth, then qualify a spending stimulus.

Separate what is stated from the interpretation.
Macroeconomic measures and policy

Task: nominal GDP rises 8%, the GDP deflator rises 5%, and population rises 2%. Estimate real and real-per-capita growth, then qualify a spending stimulus.

Real growth factor= $1.08/1.05=1.02857$, so real growth $\approx 2.86\%$. Per-capita real factor= $(1.08/1.05)/1.02=1.00840$, so growth $\approx .84\%$. An approximation of $8-5-2=1\%$ is rougher. A stimulus can shift AD right, increasing output with spare capacity; near capacity, inflation/import leakage may dominate. Consider financing, distribution and supply bottlenecks.

2 Practice

2.1 For the worked case, identify the evidence and a conclusion it can support. Explain one material limit. [3]

3 Exam-style questions

3.1 Real GDP per person increases. Does this establish lower inequality and environmental improvement? Give a reasoned answer, evidence or method, and a relevant qualification. [3]
