Revision Sheet

IGCSE Economics · Unit 4 Government and the macroeconomy

17 vocabulary items · 33 marks of exam questions (14 questions)

Part 1 · Vocabulary review answer key. Section A wants the exact English spelling.

Question	Answer	Marks
1	full employment	1
2	price stability	1
3	inflation	1
4	balance of payments	1
5	Fiscal policy	1
6	government spending	1
7	budget	1
8	budget deficit	1
9	Monetary policy	1
10	money supply	1
11	Supply-side policy	1
12	privatisation	1
13	Real	1
14	unemployment benefit	1
15	labour force	1
16	deflation	1
17	interest rates	1

Multiple Choice Answers

Q18: A
Q19: B
Q20: C

Multiple Choice Answers

Q21: D
Q22: C

Multiple Choice Answers

Q23: C
Q24: B

Multiple Choice Answers

Q25: B
Q26: D

Multiple Choice Answers

Q27: A

Multiple Choice Answers

Q28: C
Q29: A
Q30: B

31(a)	**Identify the difference between microeconomics and macroeconomics.** Microeconomics is concerned with individual markets / individual decisions / individual firms / households (1). Macroeconomics is concerned with the whole economy (1).
31(b)	**Explain how less education can reduce a person's lifetime earnings.** Logical explanation which might include: May reduce qualifications (1) lower mobility (1) reduce chance of gaining employment / increase chance of experiencing unemployment (1) may lack information on job vacancies (1) may be more likely to work in the primary sector / do manual work (1). May reduce skills / adult literacy (1) lower productivity (1) reduce chance of gaining promotion (1). May have less bargaining power / less aware or less able to enforce labour market rights e.g. to a minimum wage (1) as easier to replace (1) lower demand for them / higher supply (1). May reduce understanding about the benefits of good nutrition / good healthcare (1) experience more time off work / shorter life expectancy (1). May have large families (1) be out of the labour force for some time (1). May lack financial awareness / lower savings (1) reduce ability to buy equipment e.g. a computer that could increase earnings (1).

31(c)	**Analyse how the introduction of a minimum wage could affect unemployment.** Coherent analysis which might include: A minimum wage is the lowest amount that an employer can pay a worker / price (wage) floor (1). Its introduction may result in the supply of labour exceeding demand for labour / surplus of labour (1) resulting in higher unemployment (1). Firms may have to pay higher wages / wages may increase (1) may want to cut costs of production / higher wages may increase their costs of production (1) this may reduce their profits (1) reduce output (1) they may fire some of their workers / increase unemployment (1) replace workers with machines / capital goods (1). Higher pay may increase productivity (1) increase total demand (1) which may encourage firms to increase output (1) take on more workers / increase employment (1) reduce cyclical unemployment (1). May increase the incentive to work (1) reduce frictional unemployment (1). If the minimum wage is set below the equilibrium level it will have no effect (1).

31(d) **Discuss whether or not an economy with a high inflation rate will have a low economic growth rate.**

In assessing each answer, use the table opposite.

Why it might:

- may make the country's products less internationally competitive
- lower exports and increase imports
- reduce total demand
- may discourage investment
- if caused by increases in costs of production (cost-push inflation may reduce output)
- hyperinflation may result in a collapse in the economic system.

Why it might not:

- may be caused by increases in total demand / demand-pull inflation which may encourage higher output / GDP
- may increase tax revenue which could be spent on e.g. education which could increase the economic growth rate in the long run
- may reduce the real cost of borrowing which may increase consumer spending and investment
- may be lower than rival countries' inflation rates.

31(d)	