Week 17

IGCSE Economics

Homework bundle for this week

本周作业合集

exercises.lol

Contents 目录

4. Government and the macroeconomy

Starter Quiz · 课前小测

IGCSE Economics Name: ____________ Score: ______

1. Which are macroeconomic aims of government? (Select all that apply.)
   - ☐ economic growth
   - ☐ low unemployment
   - ☐ stable prices
   - ☐ maximising one firm's profit

   Tick every correct option.

2. Fiscal policy uses:
   - ☐ government spending and taxation
   - ☐ interest rates
   - ☐ the exchange rate
   - ☐ minimum wages only

3. Monetary policy is mainly carried out by the:
   - ☐ central bank
   - ☐ finance ministry
   - ☐ local councils
   - ☐ trade unions

4. Supply-side policy aims mainly to:
   - ☐ raise productivity and productive capacity
   - ☐ cut interest rates
   - ☐ increase the budget deficit
   - ☐ raise the exchange rate

5. Economic growth is measured by an increase in:
   - ☐ real GDP
   - ☐ the population
   - ☐ the inflation rate
   - ☐ the exchange rate

6. The unemployed are people who are:
   - ☐ willing and able to work but cannot fin

   - ☐ retired
   - ☐ in full-time study
   - ☐ not looking for work

7. Which are supply-side measures? (Select all that apply.)
   - ☐ education and training
   - ☐ lower business taxes
   - ☐ better infrastructure
   - ☐ raising interest rates

   Tick every correct option.

8. The CPI rises from 100 to 105 over a year. What is the inflation rate (%)?

   ____

9. Raising interest rates to fight inflation can increase unemployment.

   ☐ True ☐ False

10. Real GDP strips out the effect of inflation.

    ☐ True ☐ False

1. **economic growth; low unemployment; stable prices**

   Government aims for the whole economy, not one firm.

2. **government spending and taxation**

   Fiscal policy works through the government budget.

3. **central bank**

   The central bank sets interest rates and influences the money supply.

4. **raise productivity and productive capacity**

   It increases what the economy can produce.

5. **real GDP**

   Growth is a rise in real GDP — output adjusted for inflation.

6. **willing and able to work but cannot find a job**

   Unemployment counts only those actively seeking work.

7. **education and training; lower business taxes; better infrastructure**

   Interest rates are monetary policy; the rest raise capacity.

8. **5**

   $(105 - 100) / 100 \times 100 = 5\%$.

9. **True**

   Cooling demand reduces inflation but can cost jobs — a trade-off.

10. **True**

    Real GDP measures actual output, not just higher prices.

IGCSE ECONOMICS • EXERCISE SHEET

4.1 Government macroeconomic intervention

Name: ________ Class: ________ Date: ________ **Total: 19 marks**

KEY WORDS inflation 通货膨胀 • macroeconomic aims 宏观经济目标 • balance of payments 国际收支 • conflict 冲突 • unemployment 失业

Objective

Build the skills to answer exam questions on **government macroeconomic intervention** 政府宏观经济干预 — the five **macroeconomic aims** 宏观经济目标 and how they can **conflict** 冲突, and the three policy tools.

You must be able to:

- state the five macroeconomic aims
- explain a conflict between two aims
- identify the three policy tools (fiscal, monetary, supply-side)

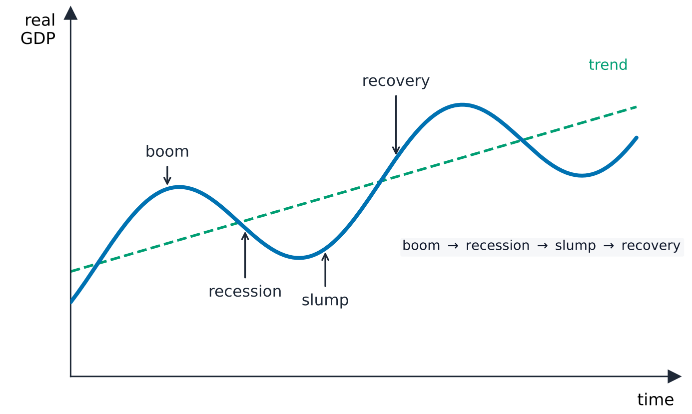
1 Worked examples

Aims and tools

Exam: fiscal = G & T; monetary = interest rate / money; supply-side = capacity & productivity

Governments balance aims that can pull against each other

- **Aims:** economic growth, **full employment** 充分就业, **price stability** 价格稳定, **balance of payments** 国际收支 stability, redistribution.
- **Conflict** 冲突: fast growth or cutting unemployment can pull prices up (inflation).
- **Tools: fiscal** 财政 (spending/tax), **monetary** 货币 (interest rates), **supply-side** 供给侧 (capacity).



Policy aims to smooth the business cycle — supporting demand in a slump, cooling it in a boom

Answer shapes: K + App + An + Ev (a justified judgement, for discuss questions).

2 Practice

2.1 State three macroeconomic aims of a government. [3]

2.2 State one conflict between two macroeconomic aims. [2]

2.3 Identify the three sets of government policy tools. [3]

3 Exam-style questions

3.1 Fast economic growth is most likely to **conflict** with the aim of: [1]

- **A** full employment
- **B** price stability
- **C** higher tax revenue
- **D** higher incomes

3.2 Explain why low unemployment and low inflation may be difficult to achieve at the same time. [4]

3.3 Analyse why a government may not be able to achieve all of its macroeconomic aims at once. [6]

Solutions

IGCSE Economics answers are marked by **level of response**: award **K** knowledge, **App** application, **An** analysis and **Ev** a justified judgement.

2.1 any three of: economic growth; full employment; price stability; balance-of-payments stability; redistribution of income (1 + 1 + 1).

2.2 any one developed conflict, e.g. growth vs price stability; full employment vs low inflation (2 for a developed conflict; 1 for naming two aims).

2.3 fiscal policy; monetary policy; supply-side policy (1 + 1 + 1).

3.1 B. Fast growth raises demand, which can pull up prices (inflation).

3.2 *[4]* K 1 + An up to 3 — to cut unemployment the government usually raises total demand → firms hire more workers, but stronger demand pushes prices up → so lower unemployment can come with higher inflation, making both hard to achieve together.

3.3 *[6]* K/App/An — the aims often conflict: raising demand to boost growth and jobs can cause inflation, and faster growth can pull in imports, worsening the balance of payments → so improving one aim can worsen another → a government must set priorities and accept trade-offs, though supply-side policy can ease some conflicts by raising capacity.

18 A government has stated for the next year it has four main aims.

1 low and stable inflation
2 providing subsidies to farmers
3 raising productivity of workers in the public sector
4 stability in the balance of payments

What are the two macroeconomic aims for the government?

A 1 and 2 **B** 1 and 4 **C** 2 and 3 **D** 3 and 4

IGCSE Economics: **s25 21**

4 In 2023, India became the country with the largest population. This may affect the government's macroeconomic aims. In 2018, the Indian Government cut the country's corporation (corporate income) tax rate from 35% to 25%. Between 2019 and 2022, India's inflation rate averaged 6%. Some economists suggested that to achieve its central inflation rate target, the government should cut its spending.

(a) Identify **two** macroeconomic aims of government that may conflict. [2]

(b) Explain **two** reasons why a country may have a high population growth rate. [4]

(c) Analyse how a cut in the corporation (corporate income) tax rate can increase economic growth. [6]

(d) Discuss whether or not a decrease in government spending will reduce inflation. [8]

IGCSE Economics: **w24 11**

17 The central bank of Mexico set its rate of interest to try to keep the rise in the price level to only 3%.

Which government aim was it directly trying to achieve?

A balance of payments equilibrium
B economic growth
C full employment
D low inflation

23 The table shows changes in economic policies for four countries, **A**, **B**, **C** and **D**.

Which country is most likely to be following a policy of preventing deflation?

	money supply	government spending	taxation
A	decreasing	decreasing	decreasing
B	decreasing	decreasing	increasing
C	increasing	increasing	decreasing
D	increasing	increasing	increasing

IGCSE Economics: **w24 13**

11 Under which circumstances are households more likely to save?

	inflation rate	interest rate	unemployment rate
A	high	high	high
B	high	high	low
C	low	high	low
D	low	low	low

IGCSE ECONOMICS • EXERCISE SHEET

4.2 Fiscal policy

Name: ____________ Class: ________ Date: __________ **Total: 19 marks**

KEY WORDS government spending 政府支出 • budget 预算 • fiscal policy 财政政策 • budget deficit 预算赤字 • direct tax 直接税

Objective

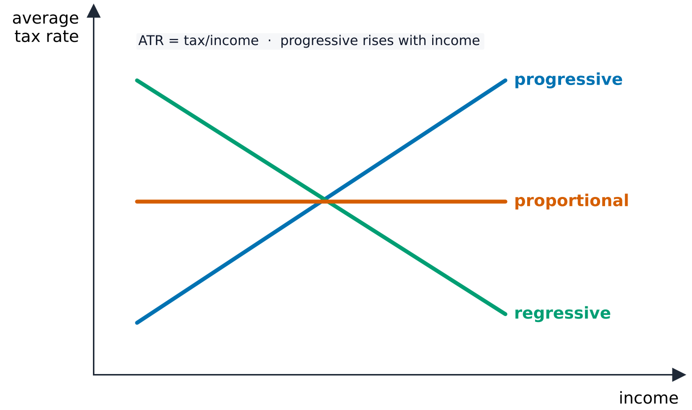
Build the skills to answer exam questions on **fiscal policy** 财政政策 — **government spending and taxation** 政府支出与税收, the **budget** 预算 (deficit/surplus), **types of tax** 税收类型, and how fiscal policy manages the economy.

You must be able to:

- explain fiscal policy, budget deficit and surplus
- classify taxes (direct/indirect, progressive/regressive)
- analyse how fiscal policy affects the economy

1 Worked examples

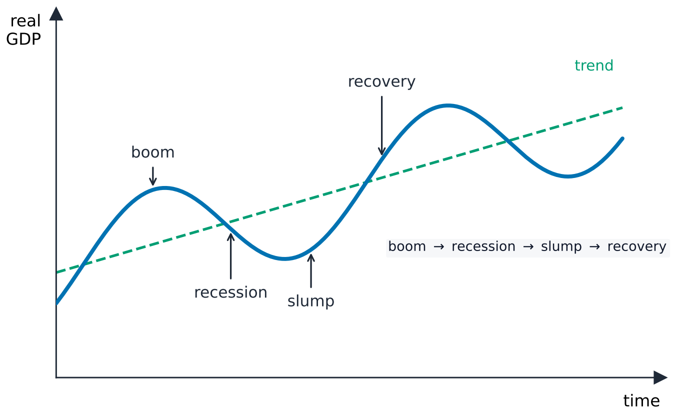
■ Spending, tax and the budget



Fiscal policy = government spending and taxation

- **Budget deficit** 预算赤字: spending > tax (must borrow). **Surplus** 盈余: tax > spending.

- **Direct tax** 直接税: on income/profit. **Indirect tax** 间接税: on spending.
- **Progressive tax** 累进税: rate rises with income (redistributes). **Regressive tax** 累退税: rate falls with income.
- **Boost the economy:** more spending or lower taxes (raises demand) — but may cause inflation.



Fiscal policy is used across the cycle — expansionary in a recession, tighter in a boom

Answer shapes: K + App + An + Ev (a justified judgement, for discuss questions).

2 Practice

2.1 Define the term *fiscal policy*. [2]

2.2 State the difference between a *direct* and an *indirect* tax. [2]

2.3 Define the term *budget deficit*. [2]

3 Exam-style questions

3.1 A **progressive** tax takes: [1]

- **A** a bigger percentage from higher incomes
- **B** a smaller percentage from higher incomes
- **C** the same percentage from everyone
- **D** no tax from the rich

3.2 Explain how a government could use fiscal policy to increase economic growth. [4]

3.3 Discuss whether raising taxes is a good way for a government to reduce inflation. [8]

Solutions

IGCSE Economics answers are marked by **level of response**: award **K** knowledge, **App** application, **An** analysis and **Ev** a justified judgement.

2.1 the government changing its spending and taxation to manage the economy (2 for a clear definition; 1 for a partial idea).

2.2 a direct tax is paid straight to the government from income or profit; an indirect tax is added to the price of goods and paid when spending (2 for a clear difference; 1 for a partial idea).

2.3 when government spending is greater than the tax raised, so the government must borrow (2 for a clear definition; 1 for a partial idea).

3.1 **A**. A progressive tax takes a bigger percentage from higher incomes.

3.2 *[4]* K 1 + An up to 3 — the government can raise its own spending (e.g. on roads, schools) or cut taxes → this leaves people and firms with more to spend → total demand rises → firms produce more and hire more workers → economic growth rises.

3.3 *[8]* K/App/An up to 5 + Ev up to 3. **For raising taxes:** higher taxes leave people with less to spend → total demand falls → demand-pull inflation eases. **Against:** it lowers demand, which can raise unemployment and slow growth; it is unpopular; and it does not help *cost-push* inflation. **Judgement (Ev):** raising taxes can curb demand-pull inflation, but it risks higher unemployment and does not fix cost-push inflation — so it depends on the cause of inflation and the state of the economy.

18 A government's spending currently equals its revenue. The government decides to decrease its spending.

What is the most likely effect of this in the short run?

A a budget deficit

B a budget surplus

C an increase in output

D an increase in tax revenue

19 What is **not** a monetary policy measure?

A changes in income tax rates

B changes in interest rates

C changes in the exchange rate

D changes in the money supply

IGCSE Economics: **w25 12**

18 A government collects the following revenue in a year.

	$m
taxes on goods	30
taxes on income	500
taxes on services	20
customs and excise duties	50

What is the amount of indirect tax revenue?

A $30m **B** $70m **C** $100m **D** $500m

IGCSE Economics: **w25 13**

21 Which supply-side policy measure would most likely cause the greatest increase in labour productivity in a country?

A a decrease in the rate of corporation tax

B a reduced top rate of income tax

C improved education and training provision

D privatisation of a state-owned industry

21 Which policy decision is most likely to cause economic growth?

A an increase in corporation tax rates

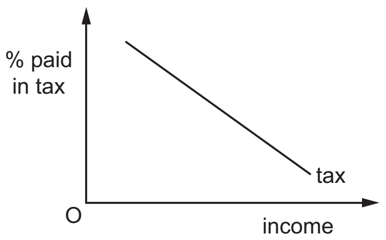
B an increase in interest rates

C an increase in the amount workers can earn before paying income tax

D an increase in the government's regulations for starting a new business

IGCSE Economics: **s25 12**

18 The diagram shows the percentage of income taken by a tax at different levels of income.



Which term is used to describe the tax?

A indirect

B progressive

C proportional

D regressive

IGCSE Economics: **s25 13**

18 A country's unemployment rate increased from 3.6% to 4.2% in one year.

What might be the consequences for tax revenues and welfare payments?

	tax revenues	welfare payments
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

18 The table shows a forecast for a government budget for year 1 and for year 2.

	year 1 $bn	year 2 $bn
revenue	50	55
spending	60	60

What does the forecast government budget for year 2 show?

A The budget deficit decreased when compared with year 1.

B The budget deficit increased when compared with year 1.

C The budget surplus decreased when compared with year 1.

D The budget surplus increased when compared with year 1.

IGCSE Economics: **w24 13**

18 The table shows earnings and total income tax paid per year.

earnings $	total income tax paid $
5000	1000
8000	2000
9000	3000

Which type of tax system does this illustrate?

A indirect

B progressive

C proportional

D regressive

IGCSE ECONOMICS • EXERCISE SHEET

4.3 Monetary policy

Name: ____________ Class: ________ Date: __________ **Total: 15 marks**

KEY WORDS interest rate 利率 • central bank 中央银行 • money supply 货币供给 • monetary policy 货币政策 • invest 投资

Objective

Build the skills to answer exam questions on **monetary policy** 货币政策 — the **central bank** 中央银行 changing **interest rates** 利率, and how this affects spending, growth and inflation.

You must be able to:

- define monetary policy and the interest rate
- explain how higher and lower interest rates affect the economy
- analyse the use of monetary policy

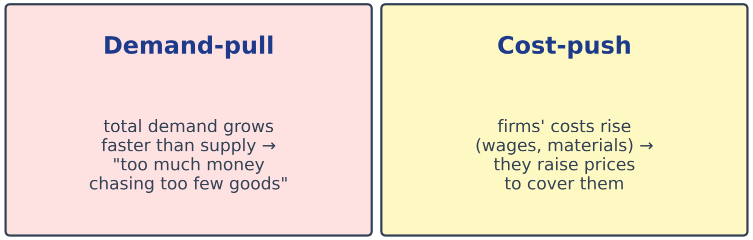
1 Worked examples

■ Interest rates

The interest rate is the cost of borrowing and the reward for saving

- **Monetary policy** 货币政策: the **central bank** 中央银行 changes the **interest rate** 利率.
- **Lower rates:** borrowing cheaper → more spending and **investment** 投资 → more growth and jobs (but maybe inflation).

- **Higher rates:** borrowing dearer → less spending → less inflation (but maybe more unemployment).



Exam: demand-pull = AD excess; cost-push = rising costs (wages, oil, imported inputs)

Monetary policy's main target is inflation — a rate rise cools demand-pull pressure

Answer shapes: K + App + An + Ev (a justified judgement, for discuss questions).

2 Practice

2.1 Define the term *monetary policy.* [2]

2.2 State the effect of a **fall** in interest rates on consumer spending. [1]

2.3 State who sets the interest rate in an economy. [1]

3 Exam-style questions

3.1 To reduce inflation, a central bank should: [1]

- **A** lower interest rates
- **B** raise interest rates
- **C** raise government spending
- **D** cut income tax

3.2 Explain how a rise in interest rates could reduce inflation. [4]

3.3 Analyse the effects on an economy of a large cut in interest rates. [6]

Solutions

IGCSE Economics answers are marked by **level of response**: award **K** knowledge, **App** application, **An** analysis and **Ev** a justified judgement.

2.1 the central bank changing interest rates (and the money supply) to manage the economy (2 for a clear definition; 1 for a partial idea).

2.2 consumer spending rises (1).

2.3 the central bank (1).

3.1 B. Higher interest rates reduce spending and so reduce inflation.

3.2 *[4]* K 1 + An up to 3 — a higher interest rate makes borrowing dearer and saving more rewarding → people and firms spend and invest less → total demand falls → with lower demand, firms raise prices less → inflation falls.

3.3 *[6]* K/App/An — a large cut in interest rates makes borrowing cheaper and saving less rewarding → households and firms borrow and spend more, and firms invest more → total demand rises → output and jobs rise (more growth and lower unemployment) → but if demand grows faster than supply, prices may rise → so it can cause higher inflation.

19 Which policy measures would be classified as fiscal policy?

A changes in interest rates and money supply

B changes in labour market policies to encourage more training

C changes in tax rates and government spending

D changes in the exchange rate

IGCSE Economics: **w25 21**

3 Japan has faced significant periods of deflation in recent decades. Despite efforts to stimulate the economy through fiscal policy measures and monetary policy measures, economic growth remains low. Some economists have also argued that the monetary policy used by the central bank is one of the causes of low productivity in Japan.

(a) Identify **two** fiscal policy measures. [2]

(b) Explain **two** influences on productivity. [4]

(c) Analyse reasons why central banks are important for an economy. [6]

(d) Discuss whether or not deflation is a problem for an economy. [8]

IGCSE Economics: **w25 22**

4 There are several policy measures a central bank or government can use to reduce unemployment. One policy measure a government could use to reduce unemployment is to increase its spending on building houses. The Federal Reserve, the central bank of the US, has two main aims. One is to maintain price stability and the other is to achieve full employment. Some central banks also have economic growth as a target, but none have HDI value as a target.

(a) Identify **two** policy measures a central bank could use to maintain price stability. [2]

(b) Explain **two** benefits to an economy of full employment. [4]

(c) Analyse how an increase in government spending on building houses could reduce unemployment. [6]

(d) Discuss whether or not an increase in a country's economic growth rate will increase its HDI value. [8]

IGCSE Economics: **s25 11**

15 A firm chooses to become more capital-intensive.

What is **least** likely to have increased?

A interest rates

B minimum wages

C the power of trade unions

D the productivity of capital

20 When a government aims to encourage economic growth, it may adopt supply-side policies.

Which policy is a supply-side policy?

A increasing the money supply

B lowering interest rates

C reducing indirect taxation

D retraining unemployed workers

IGCSE Economics: **m25 12**

29 What might a central bank do to stop a fall in the value of its country's currency?

A raise interest rates

B reduce taxes on imports

C remove controls on currency outflows

D sell their currency on the foreign exchange market

IGCSE ECONOMICS • EXERCISE SHEET

4.4 Supply-side policy

Name: __________ Class: ________ Date: ________ **Total: 16 marks**

KEY WORDS supply-side policy 供给侧政策 • privatisation 私有化 • deregulation 放松管制 • incentives 激励 • factors of production 生产要素

Objective

Build the skills to answer exam questions on **supply-side policy 供给侧政策** — policies that raise what the economy *can* produce (**education and training, privatisation, deregulation, incentives 教育培训、私有化、放松管制、激励**).

You must be able to:

- define supply-side policy
- give examples of supply-side measures
- analyse the strengths and weaknesses of supply-side policy

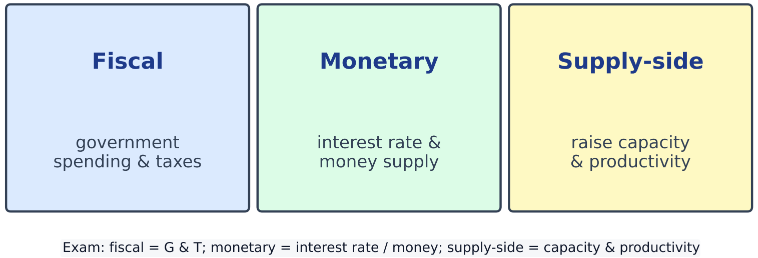
1 Worked examples

■ Raising productive capacity

Supply-side policy improves the quantity and quality of factors of production

- **Supply-side policy 供给侧政策:** raises the amount the economy *can* produce (improves factors).
- **Measures: education and training** (higher **productivity 生产率**), **privatisation 私有化**, **deregulation 放松管制**, **incentives 激励** (lower taxes).

- **Strength:** can raise growth *and* lower inflation. **Weakness:** works slowly.



Supply-side policy is the third toolkit, alongside fiscal and monetary policy

Answer shapes: K + App + An + Ev (a justified judgement, for discuss questions).

2 Practice

2.1 Define the term *supply-side policy.* [2]

2.2 Identify two supply-side policies. [2]

2.3 State one weakness of supply-side policy. [1]

3 Exam-style questions

3.1 Which is a **supply-side** policy? [1]

- **A** raising interest rates
- **B** spending on education and training
- **C** raising income tax
- **D** cutting government spending

3.2 Explain how spending on education and training can raise an economy's output. [4]

3.3 Analyse why supply-side policy can raise growth and lower inflation at the same time. [6]

Solutions

IGCSE Economics answers are marked by **level of response**: award **K** knowledge, **App** application, **An** analysis and **Ev** a justified judgement.

2.1 policy that aims to raise the amount the economy can produce by improving the quantity and quality of the factors of production (2 for a clear definition; 1 for a partial idea).

2.2 any two of: education and training; privatisation; deregulation; lower-tax incentives (1 + 1).

2.3 it works slowly (results take years) (1).

3.1 B. Spending on education and training is a supply-side policy.

3.2 *[4]* K 1 + An up to 3 — education and training give workers better skills → they become more productive (each makes more) → the economy can produce more goods and services → so its output (and capacity) rises.

3.3 *[6]* K/App/An — supply-side policy raises the economy's productive capacity (more and better factors) → the economy can make more goods → this raises output and growth, *and* because more is supplied, prices are held down rather than pushed up → so unlike demand-side policy, it can raise growth *and* lower inflation together → its drawback is that it works only slowly.

17 What are two macroeconomic aims of government?

A to allocate resources and reduce trade union membership

B to create economic growth and prevent high inflation

C to raise interest rates and reduce pollution

D to reduce exports and increase imports

20 Which government action would **not** be included as part of a supply-side policy?

A increasing the privatisation of industries

B lowering national minimum wage rates

C raising tariffs on international trade

D reducing state benefits

28 Which government policy would encourage greater international trade?

A an increase in the level of domestic regulation

B an increase in the level of tariffs on imports

C the abolition of domestic subsidies for declining industries

D the abolition of free trade agreements

IGCSE Economics: **w25 12**

25 In many high-income economies, increasing income inequality has led to greater levels of poverty.

Which combination of policies would aim to reduce income inequality?

	fiscal policy	supply-side policy
A	decrease corporation tax	create more competition
B	increase income tax	reduce the power of trade unions
C	increase inheritance tax	increase the national minimum wage
D	increase sales tax	privatise more public sector firms

IGCSE Economics: **w25 13**

1 What is **least** likely to increase the geographical mobility of labour?

A greater provision of information about available jobs

B improved roads and communication network

C increased opportunities for education and training

D strengthened family ties and relationships

28 Mining by multinational companies (MNCs) has both costs and benefits for the host nation.

Which activity is **least** likely to offer a benefit to the host nation?

A developing courses for training in mining

B investing in infrastructure to export minerals

C repatriating profits and dividends

D using new technology

IGCSE Economics: **m25 12**

22 Which action by employers is most likely to reduce long-term economic growth?

A allowing workers time off to attend retraining courses

B encouraging workers to work flexibly in different roles

C granting workers regular short breaks during the working day

D replacing skilled workers with semi-skilled workers

IGCSE Economics: **w24 11**

20 What is most likely to result from a successful supply-side policy?

A a deterioration in the current account of the balance of payments

B economic growth

C increased inflation

D increased structural unemployment

4.5 Economic growth

Name: ____________ Class: ________ Date: __________ **Total: 19 marks**

KEY WORDS gdp 国内生产总值 • economic growth 经济增长 • living standards 生活水平 • real 实际 • business cycle 经济周期

Objective

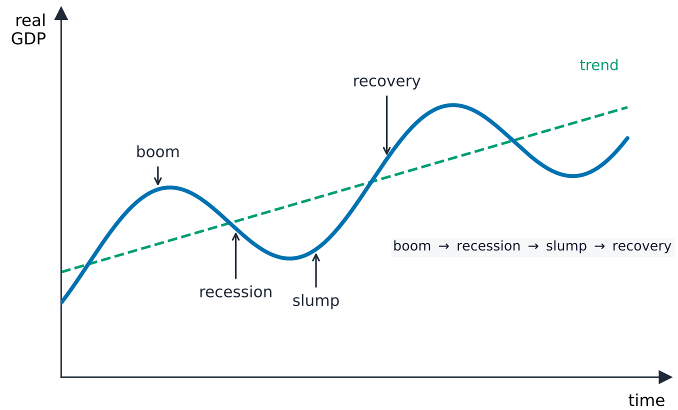
Build the skills to answer exam questions on **economic growth** 经济增长 — **real GDP** 实际 GDP, the **business cycle** 经济周期, and the causes and effects of growth.

You must be able to:

- define economic growth and real GDP
- describe the stages of the business cycle
- analyse the causes and the good and bad effects of growth

1 Worked examples

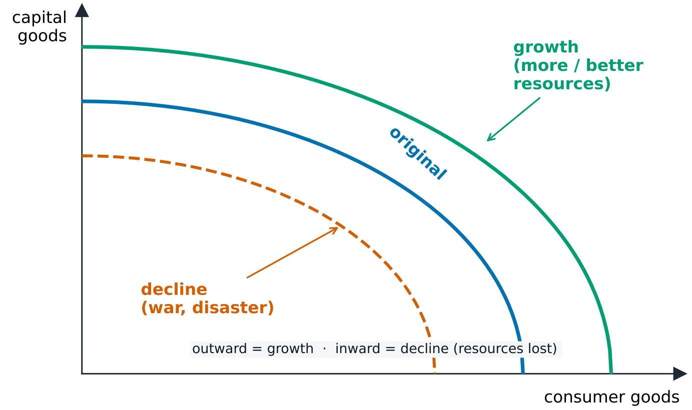
■ Growth and the business cycle



Economic growth is a rise in real GDP

- **GDP** 国内生产总值: total value of all goods/services produced in a year. **Real** 实际: after removing the effect of rising prices.
- **Cycle: boom** 繁荣 → **recession** 衰退 → **slump** 萧条 → **recovery** 复苏.

- **Causes:** investment, a bigger/more skilled workforce, new technology.
- **Good:** higher incomes, more jobs, better **living standards** 生活水平. **Bad:** inflation, a wider rich-poor gap, pollution.



Growth in capacity is the PPC shifting outward — more of both goods becomes possible

Answer shapes: K + App + An + Ev (a justified judgement, for discuss questions).

2 Practice

2.1 Define the term *economic growth.* [2]

2.2 Define the term *gross domestic product (GDP).* [2]

2.3 State the four stages of the business cycle. [2]

3 Exam-style questions

3.1 Economic growth is best measured by a rise in: [1]

- **A** nominal GDP
- **B** real GDP
- **C** the price level
- **D** the population

3.2 Explain two causes of economic growth. [4]

3.3 Discuss whether economic growth is always good for a country. [8]

Solutions

IGCSE Economics answers are marked by **level of response**: award **K** knowledge, **App** application, **An** analysis and **Ev** a justified judgement.

2.1 an increase in a country's real output (real GDP) over time (2 for a clear definition; 1 for a partial idea).

2.2 the total value of all goods and services a country produces in a year (2 for a clear definition; 1 for a partial idea).

2.3 boom, recession, slump, recovery (2 for all four; 1 for a partial list).

3.1 B. Real GDP removes the effect of rising prices, so it shows the true change.

3.2 *[4]* For **each** of two causes: K 1 + An 1 — *investment in capital*: more machines per worker raises output; *a more skilled workforce*: training raises productivity, so the economy makes more.

3.3 *[8]* K/App/An up to 5 + Ev up to 3. **Good:** higher incomes, more jobs, better living standards, and more tax for public services. **Bad:** demand-led growth may cause inflation, the rich-poor gap may widen, and there may be more pollution and use of scarce resources. **Judgement (Ev):** growth usually raises living standards, but whether it is "always good" depends on its type (sustainable vs polluting) and whether the gains are shared fairly.

22 Chile specialises in the production of copper for export.

In what way is the Chilean economy likely to be affected by a large rise in the supply of copper from other countries?

	employment	economic growth
A	fall	fall
B	fall	rise
C	rise	fall
D	rise	rise

24 What is deflation?

A a sustained fall in total demand

B a sustained fall in the general price level

C a sustained fall in the rate of inflation

D a sustained fall in the value of money

IGCSE Economics: **w25 12**

22 In one particular year, South Sudan's population growth was 1.3% while its GDP growth was 2%.

What is the most likely consequence of this?

A GDP per capita will decrease

B the rate of inflation will decrease

C the standard of living will increase

D unemployment will increase

IGCSE Economics: **w25 13**

22 How is economic growth of a country measured?

A by an increase in the monetary value of goods produced

B by an increase in the number of people in employment

C by an increase in the real Gross Domestic Product (GDP)

D by an increase in the value of the Human Development Index (HDI)

2 In the first half of 2022, Guyana's GDP grew by 36.4%. Most of this growth was due to higher output in the primary sector. The government used some of the tax revenue generated from this growth to fund long-run development projects such as infrastructure and education. However, in the short run, there was a rise in house prices.

(a) Identify **two** examples of primary sector industries. [2]

(b) Explain **two** causes of rising GDP. [4]

(c) Analyse why house prices may increase. [6]

(d) Discuss whether or not increased government spending on education will lead to economic development. [8]

IGCSE Economics: **s25 11**

23 What is most likely to rise when the level of employment falls in a high-income economy?

A consumer confidence

B government expenditure on state benefits

C government revenue from income tax

D the rate of growth of real output

IGCSE Economics: **s25 12**

24 Which changes are likely to lead to the biggest increase in inflation in country X?

	demand for goods and services in country X	supply of goods and services in country X
A	5% decrease	5% decrease
B	5% decrease	5% increase
C	5% increase	5% decrease
D	5% increase	5% increase

30 What is a consequence of a surplus on the current account of the balance of payments?

A a decrease in GDP

B a decrease in unemployment

C a depreciation of the foreign exchange rate

D deflation

17 What will cause real GDP to rise in a country?

A nominal GDP rising at a faster rate than employment

B nominal GDP rising faster than inflation

C nominal GDP rising faster than the population

D nominal GDP rising

4.6 Employment and unemployment

Name: ____________ Class: ________ Date: __________ **Total: 16 marks**

KEY WORDS labour force 劳动力 • cyclical 周期性 • types 类型 • frictional 摩擦性 • structural 结构性

Objective

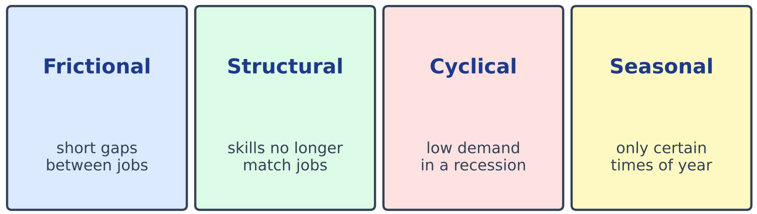
Build the skills to answer exam questions on **employment and unemployment** 就业与失业 — how unemployment is measured **衡量**, the **types** 类型 (frictional, structural, cyclical), and the effects.

You must be able to:

- explain how unemployment is measured (claimant count, labour force survey)
- distinguish frictional, structural and cyclical unemployment
- analyse the effects of unemployment

1 Worked examples

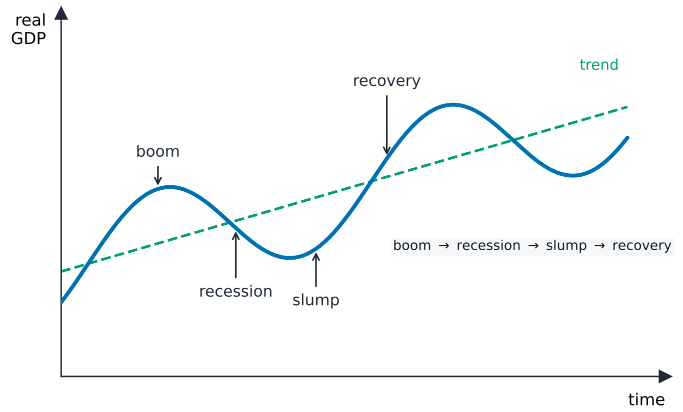
Types of unemployment



Exam: name the type + cause — cyclical needs demand stimulus; structural needs retraining

Unemployment = people who can and want to work but cannot find a job

- **Measuring: claimant count** 失业救济申领人数 (benefit claimants) and the **labour force survey** 劳动力调查 (a survey).
- **Frictional** 摩擦性: short-term, between jobs. **Structural** 结构性: skills no longer wanted (mines close).
- **Cyclical** 周期性: low demand in a recession.
- **Effects:** lost income and skills, lost output, more benefit spending, social harm.



Cyclical unemployment rises in the recession and slump phases of the business cycle

Answer shapes: K + App + An + Ev (a justified judgement, for discuss questions).

2 Practice

2.1 Define the term *unemployment*. [2]

2.2 Identify two types of unemployment. [2]

2.3 State one way unemployment is measured. [1]

3 Exam-style questions

3.1 Unemployment caused by a recession (low total demand) is: [1]

- **A** frictional unemployment
- **B** structural unemployment
- **C** cyclical unemployment
- **D** seasonal unemployment

3.2 Explain the difference between **frictional** and **structural** unemployment. [4]

3.3 Analyse the effects of high unemployment on a country. [6]

Solutions

IGCSE Economics answers are marked by **level of response**: award **K** knowledge, **App** application, **An** analysis and **Ev** a justified judgement.

2.1 people who can work and want to work but cannot find a job (2 for a clear definition; 1 for a partial idea).

2.2 any two of: frictional; structural; cyclical; seasonal (1 + 1).

2.3 the claimant count or the labour force survey (1).

3.1 C. A recession with low total demand causes cyclical unemployment.

3.2 *[4]* K 1 + An up to 3 — frictional unemployment is short-term, when a worker is between jobs and looking for the next; structural unemployment happens when a whole industry shrinks and workers' skills are no longer wanted (e.g. coal miners after the mines close) → so one is brief and normal, the other is longer-term and harder to fix.

3.3 *[6]* K/App/An — high unemployment harms several groups: unemployed **workers** lose income and may lose skills; the **country** loses the output those workers could have made; the **government** pays more in benefits and collects less in tax (worsening its budget); and **society** may suffer more crime and poorer health → so high unemployment is costly to individuals, the economy and the government.

23 The table shows the patterns of employment in selected industries in two years.

industry	employment in millions	
	year 1	year 2
agriculture	8	6
fishing	4	4
hospitality	8	10
manufacturing	12	10
retailing	8	10
total	40	40

How did the patterns of employment change between year 1 and year 2?

	secondary sector	tertiary sector
A	fell	rose
B	fell	unchanged
C	rose	fell
D	unchanged	rose

IGCSE Economics: **w25 12**

21 What does a successful supply-side policy increase in an economy?

A the level of unemployment

B the production possibilities

C the rate of inflation

D the rate of interest

23 What are the correct definitions of unemployment and employment relative to the number of people of working age?

	unemployment	employment
A	those who want a job but cannot get one at the current wage rate	those who are not in full-time education
B	those who want a job but cannot get one at the current wage rate	those who have a job at the current wage rate
C	those without a job	those who are not in full-time education
D	those without a job	those who have a job at the current wage rate

IGCSE Economics: **w25 13**

12 What would increase the strength of a trade union?

A a growth in part-time employment

B a growth in the membership

C a rise in the national minimum wage

D a rise in the standard of living

IGCSE Economics: **w25 22**

4 There are several policy measures a central bank or government can use to reduce unemployment. One policy measure a government could use to reduce unemployment is to increase its spending on building houses. The Federal Reserve, the central bank of the US, has two main aims. One is to maintain price stability and the other is to achieve full employment. Some central banks also have economic growth as a target, but none have HDI value as a target.

(a) Identify **two** policy measures a central bank could use to maintain price stability. [2]

(b) Explain **two** benefits to an economy of full employment. [4]

(c) Analyse how an increase in government spending on building houses could reduce unemployment. [6]

(d) Discuss whether or not an increase in a country's economic growth rate will increase its HDI value. [8]

22 A government uses the labour force survey method to calculate unemployment.

What is required under this method for a person to be classified as unemployed?

	eligible for unemployment benefits	immediately available for work	actively seeking work
A	no	no	yes
B	no	yes	yes
C	yes	yes	no
D	yes	no	no

IGCSE Economics: **s25 12**

23 A school leaver is unable to find a job immediately after completing their education.

Which type of unemployment is this?

A cyclical

B frictional

C regional

D structural

20 The table shows the distribution of the working population in millions (m) in various sectors of an economy over two years.

economic sector	year 1 employment (m)	year 2 employment (m)
education	4	3
engineering	6	8
farming	2	1
finance	8	6
healthcare	4	5
motor vehicle production	5	5
oil extraction	2	2

What can be concluded from the information?

A Less output was produced in the economy in year 2 than year 1.

B Fewer people were employed in the secondary sector in year 1 than year 2.

C More people were employed in the primary sector in year 2 than year 1.

D More people were employed in the tertiary sector in year 2 than year 1.

IGCSE Economics: **w24 12**

21 What causes cyclical unemployment in a recession?

A a permanent decrease in the demand for labour

B a permanent decrease in the supply of labour

C a temporary decrease in the demand for labour

D a temporary decrease in the supply of labour

IGCSE Economics: **w24 21**

2 Unemployment in the United Kingdom (UK) fell in December 2021 to 4.1%. Market forces would usually mean that wages would increase due to this lower unemployment. However, workers' living standards did not increase. New international trade deals were not made fast enough to offset the decreasing trade between the UK and the European Union.

(a) Identify **two** ways of measuring unemployment. [2]

(b) Explain **two** factors that could influence living standards, apart from unemployment rates. [4]

(c) Analyse how market forces can increase wages. [6]

(d) Discuss whether or not free trade between countries increases economic growth. [8]

IGCSE ECONOMICS • EXERCISE SHEET

4.7 Inflation

Name: ____________ Class: ________ Date: __________ **Total: 18 marks**

KEY WORDS inflation 通货膨胀 • deflation 通货紧缩 • weight 权重 • cpi 消费者价格指数 • cost-push 成本推动

Objective

Build the skills to answer exam questions on **inflation** 通货膨胀 — how it is **measured** 衡量 (the **CPI** 消费者价格指数), the **causes** (**demand-pull and cost-push** 需求拉动与成本推动), the effects, and **deflation** 通货紧缩.

You must be able to:

- define inflation and explain the CPI
- distinguish demand-pull from cost-push inflation
- analyse the effects of inflation and deflation

1 Worked examples

■ Causes of inflation

Demand-pull	**Cost-push**
total demand grows faster than supply → "too much money chasing too few goods"	firms' costs rise (wages, materials) → they raise prices to cover them

Exam: demand-pull = AD excess; cost-push = rising costs (wages, oil, imported inputs)

Inflation is a rise in the average level of prices

- **Inflation** 通货膨胀: a sustained rise in the average price level. **Deflation** 通货紧缩: prices fall.
- **CPI** 消费者价格指数: tracks a weighted "basket" of goods a typical family buys.
- **Demand-pull** 需求拉动: demand grows faster than supply. **Cost-push** 成本推动: firms' costs rise.

- **Effects:** money loses **purchasing power** 购买力, savings worth less, exports dearer.

Answer shapes: K + App + An + Ev (a justified judgement, for discuss questions).

2 Practice

2.1 Define the term *inflation*. [2]

2.2 State the difference between *demand-pull* and *cost-push* inflation. [2]

2.3 State one effect of inflation on people who have savings. [1]

3 Exam-style questions

3.1 A rise in prices caused by higher wage and material costs is: [1]

- **A** demand-pull inflation
- **B** cost-push inflation
- **C** deflation
- **D** disinflation

3.2 Explain how inflation is measured using the Consumer Prices Index (CPI). [4]

3.3 Discuss whether inflation is always bad for an economy. [8]

Solutions

IGCSE Economics answers are marked by **level of response**: award **K** knowledge, **App** application, **An** analysis and **Ev** a justified judgement.

2.1 a sustained rise in the average level of prices over time (2 for a clear definition; 1 for a partial idea).

2.2 demand-pull inflation comes from total demand growing faster than supply; cost-push inflation comes from rising costs (wages, materials) that firms pass on (2 for a clear difference; 1 for a partial idea).

2.3 the real value of their savings falls (their money buys less) (1).

3.1 **B**. Higher wage and material costs cause cost-push inflation.

3.2 *[4]* K 1 + An up to 3 — a "basket" of goods a typical family buys is chosen → each good is given a weight for how much people spend on it → the cost of the whole basket is tracked from year to year → the percentage change in the basket's cost is the inflation rate.

3.3 *[8]* K/App/An up to 5 + Ev up to 3. **Bad:** inflation cuts purchasing power, reduces the value of savings, makes exports dearer, and creates uncertainty. **Not always:** low, steady inflation can show healthy demand and helps borrowers, while *deflation* can be worse (people delay buying, so demand and output fall). **Judgement (Ev):** high or rising inflation is harmful, but low, stable inflation is acceptable and better than deflation — so it depends on the rate.

25 What is most likely to cause more poverty in a country?

A a decrease in the general price level

B a decrease in the rate of income tax

C a decrease in the level of unemployment

D a decrease in the level of wages

IGCSE Economics: **w25 12**

20 What is the most likely result of a fall in interest rates?

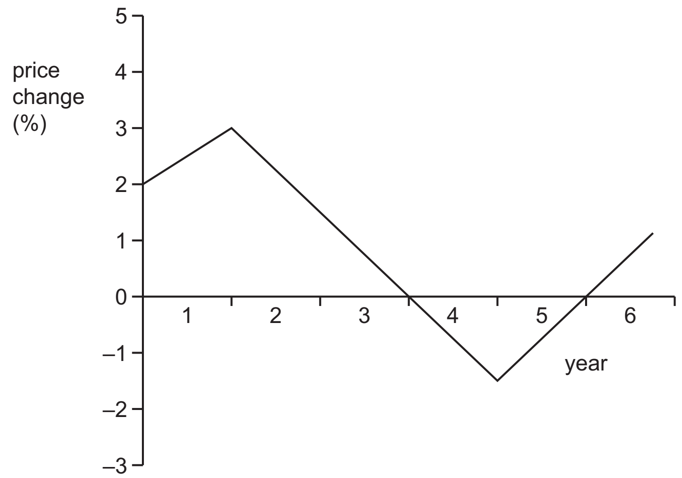
A a fall in inflation

B a fall in investment

C a rise in consumer spending

D a rise in saving

24 The graph shows changes in the average price level.



When did the country experience deflation?

A year 2 to year 5

B year 2 to year 3

C year 2 to year 4

D year 4 to year 5

24 A country's Consumer Prices Index (CPI) falls from 120 to 110 in a year.

What will be a likely effect of this fall?

A incomes will fall in real terms

B savings will fall in real terms

C the rate of interest will rise

D the real value of debt will rise

IGCSE Economics: **s25 11**

24 A Consumer Prices Index (CPI) consists of four items. The table shows the percentage price change for each item over a period of a year and the weight of each item.

Which price change will affect the level of the CPI most?

	item	% price change over 1 year	weight
A	food	+5	0.30
B	housing	+6	0.20
C	recreation	+3	0.40
D	transport	+4	0.10

IGCSE Economics: **s25 13**

19 In a country, some highly-paid workers reduce their working hours because of very high income tax rates at higher levels of income.

What is a disadvantage of this income taxation?

A It creates uncertainty for workers.

B It does not maximise tax revenue.

C It is inequitable for lower-income earners.

D It is regressive in the distribution of income.

23 The table shows the weights attached to various categories of goods in a Consumer Prices Index (CPI) in two years.

CPI category	year 1	year 2
clothing	100	200
food	400	300
energy	100	100
household goods	200	100
motoring	200	300
total	1000	1000

What can be concluded from the table when comparing year 1 and year 2?

A Real income spent by the average consumer on motoring increased.

B The cost of producing food has fallen.

C The CPI has not changed over the two years.

D The proportion of income spent on clothing has increased.

IGCSE Economics: **w24 12**

20 What is the definition of economic growth?

A It is an increase in the general level of prices over time.

B It is an increase in the level of a nation's output over time.

C It is an increase in the level of total demand over time.

D It is an increase in wages, interest, profits and rent over time.

IGCSE Economics: **w24 21**

5 Hawaii's economy has grown due to tourism but the growth in this sector has also increased inflation in this US island state. It is estimated that 9% of Hawaii's population were living in poverty in 2022. Many families struggled to save. Young workers were able to leave due to high levels of labour mobility between US states. However, Hawaii is now facing an ageing population including many more retired people.

(a) Define *labour mobility*. [2]

(b) Explain the effects of an ageing population on spending and saving levels. [4]

(c) Analyse how a rise in tourism can increase inflation in an economy. [6]

(d) Discuss whether or not fiscal policy is effective in reducing poverty. [8]