

Multiple Choice Answers

Q23: A

Multiple Choice Answers

Q21: B

Q23: B

Multiple Choice Answers

Q12: B

4(a)	Identify <u>two</u> policy measures a central bank could use to maintain price stability. Two from: the rate of interest (1) the money supply (1) the exchange rate (1) quantitative easing / tightening (1).
4(b)	Explain <u>two</u> benefits to an economy of full employment. Logical explanation which might include the following. • High output / GDP (1) maximum use of labour resource. • High tax revenue (1) government could spend on e.g. education / healthcare (1). • Low spending on state benefits (1) can keep taxes low / money saved can be spent on other things (1). • Low poverty / increase incomes (1) enable people to purchase basic necessities / which could increase living standards (1).

4(c)	Analyse how an increase in government spending on building houses could reduce unemployment. Coherent analysis which might include the following. An increase in government spending on building homes may increase demand for building workers (1) may increase demand for building materials (1) demand for building materials workers / other workers related to building industry (1) labour is a derived demand (1) reduce structural unemployment (1) increase incomes (1) increase consumer expenditure (1) increase total demand (1) reduce cyclical unemployment (1) increase GDP / economic growth (1) may increase quality of homes (1) improve health (1) fewer workers may lose their jobs because of illness (1) increase labour productivity which may increase demand for labour (1) increase supply of houses (1) reduce price of houses (1) improve mobility of labour (1).
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4(d)

Discuss whether or not an increase in a country's economic growth rate will increase its HDI value.

In assessing each answer, use the table opposite.

Why it might:

- increase in GDP may increase GDP per head if increase in GDP is greater than any rise in population
- higher GDP per head may increase spending on good nutrition / good housing and as a result increase life expectancy
- higher GDP per head may increase tax revenue, enabling a government to spend on education and healthcare
- higher GDP per head may enable families to keep their children in education for longer.

Why it might not:

- higher GDP per head may result in more spending on demerit goods, lowering life expectancy
- may lead to inflation hindering access to healthcare and education and increase inequality in the distribution of income
- may be the result of higher military expenditure which will not increase HDI
- income may become more unevenly distributed, meaning life expectancy and years of education of the poor may fall
- more pollution may be created, lowering life expectancy
- working hours and stress may increase, lowering life expectancy.

4(d)

Multiple Choice Answers

Q22: B

Multiple Choice Answers

Q23: B

Multiple Choice Answers

Q20: B

Multiple Choice Answers

Q21: C

2(d)	Discuss whether or not free trade will increase economic growth. In assessing each answer, use the table opposite. Why it might: • may enable countries to specialise on what they are best at producing • higher competition may increase productivity and lower costs of production, increasing demand for their products • may enable firms to buy raw materials and capital goods at a lower price • may give firms access to larger markets, enabling them to expand output. Why it might not: • may prevent infant industry from growing • may speed up the closure of declining industries • may replace domestic output with imports • may reduce tax revenue • firms may gain monopoly power and may restrict output • firms may engage in unfair competition e.g. dumping.	8	<table><tr><th>Level</th><th>Description</th></tr><tr><td>3</td><td>A reasoned discussion which accurately examines both sides of the economic argument, making use of economic information and clear and logical analysis to evaluate economic issues and situations. One side of the argument may have more depth than the other, but overall both sides of the argument are considered and developed. There is thoughtful evaluation of economic concepts, terminology, information and / or data appropriate to the question. The discussion may also point out the possible uncertainties of alternative decisions and outcomes.</td></tr></table>	Level	Description	3	A reasoned discussion which accurately examines both sides of the economic argument, making use of economic information and clear and logical analysis to evaluate economic issues and situations. One side of the argument may have more depth than the other, but overall both sides of the argument are considered and developed. There is thoughtful evaluation of economic concepts, terminology, information and / or data appropriate to the question. The discussion may also point out the possible uncertainties of alternative decisions and outcomes.
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