AL 经济逆袭宝典

CIE AS Economics • Basis

Multiple Choice

新灯塔国际教育

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1 Basic Economic Ideas and Resource Allocation（基本经济思想与资源配置）

Scarcity, choice and opportunity cost; economic methodology; factors of production; market, planned and mixed systems; production possibility curves; classification of goods.

Rules 规则

- **Scarcity**（稀缺）: unlimited wants, limited resources.
- **Opportunity cost**（机会成本）: next-best alternative forgone; exclude sunk cost.
- **Three questions**（三问）: what / how / for whom.
- **Positive / normative**（实证 / 规范）: testable fact vs value judgement (should, ought).
- **Ceteris paribus**（其他条件不变）; SR: ≥ 1 factor fixed; LR: all variable; VLR: technology can change.
- **Factors**（要素）: land–rent, labour–wages, capital–interest, enterprise–profit.
- **Systems**（制度）: market / planned / mixed.
- **PPC**: on = efficient; inside = idle; outside = unattainable.
  concave = increasing OC; straight = constant OC.
  outward shift: more / better resources or technology. Unemployment: move *inside* (not a shift).
- **Goods**（物品）: public = non-rival *and* non-excludable; private = rival + excludable;
  free good: OC = 0; merit / demerit: imperfect information.

Worked Examples 例题

Example 1. (m23 qp 12-10) Why does the basic economic problem of scarcity apply to both the rich and the poor

A. The choices people make are not dependent on income inequalities.

B. Consumers pay the same prices for goods and services to satisfy their wants.

C. Human wants exceed what can be produced from available resources.

D. Natural resources are unevenly distributed amongst nations.

Correct option: **C**.
Human wants exceed what can be produced from available resources.

Example 2. (w25 qp 11-1) What is an example of a normative statement

A. Indirect taxes are cheap to collect.

B. Indirect taxes are taxes on income.

C. Indirect taxes are unfair.

D. Indirect taxes increase inequality.

Correct option: **C**.
Indirect taxes are unfair.

入门综合 · 40

1. (m23 qp 12-10) Why does the basic economic problem of scarcity apply to both the rich and the poor

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3. (s25 qp 14-28) A government believes its current account deficit will be beneficial in the long run. What is the most likely reason for this

   A. Immigration has increased.

   B. It imports capital goods.

   C. It exports raw materials.

   D. It reduces unemployment.

4. (w25 qp 12-3) What is not a characteristic of a planned economy

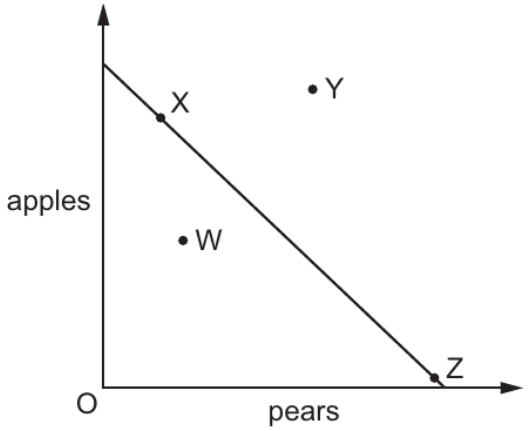
   A. Consumers have limited influence on what is produced.

   B. Profit is the motive for increasing output.

   C. Resources are owned by the government.

   D. There is limited competition in the market.

5. (m25 qp 12-3) The production possibility curve shows the maximum potential output of apples and pears for an economy using current resources. X Y apples W Z O pears Which pair of positions identifies an efficient and an inefficient outcome? Which pair of positions identifies an efficient and an inefficient outcome?



A. W and Y

B. W and X

C. X and Z

D. Y and Z

6. (w24 qp 12-20) What is an example of a macroeconomic policy

A. encourage the consumption of merit goods

B. reduce pollution in the steel industry

C. maintain general price stability

D. reduce unemployment in the service sector

7. (m25 qp 12-2) To increase production, a firm in industry X needs to install capital equipment, while a firm in industry Y needs to research and introduce a new technology. What time periods are illustrated by these cases?

	industry X	industry Y
A	short run	long run
B	long run	long run
C	long run	very long run
D	very long run	very long run

8. (s24 qp 13-4) What is essential to eliminate scarcity
   A. the existence of sufficient resources to meet all needs and wants
   B. producers consistently produce in excess of demand
   C. the government has a surplus budget
   D. there is equilibrium in all markets

9. (s25 qp 11-1) Which statement about a free vaccination programme is normative
   A. It will help raise life expectancy.
   B. It is likely to improve the welfare of society.
   C. It will result in lower spending on other medical services.
   D. Tax revenues generated through improved economic activity will exceed the spending on vaccination.

10. (s25 qp 13-28) A government increases the import quota of cars. What is the likely effect of this
   A. jobs will be created in the domestic car industry
   B. prices of cars will fall for domestic consumers
   C. specialisation is reduced
   D. trading partners will retaliate

11. (s25 qp 11-3) Which goods are least likely to be allocated by market forces in a mixed economy
   A. hospitals
   B. railways
   C. street lighting
   D. television programmes

12. (s25 qp 14-4) What does a production possibility curve show? DO NOT WRITE IN THIS MARGIN
   A. the actual demand in an economy given its existing resources
   B. the maximum output an economy can achieve using existing resources
   C. the maximum output an economy can ever achieve
   D. the minimum combinations of output an economy can achieve DO NOT WRITE IN THIS MARGIN ǏÖú¾Ġ´íÈõÏĨÅĊßü · þ×

13. (s25 qp 12-3) What is a statement of the non-rivalrous nature of public goods
    A. It is not possible to stop a non-payer from using the product.
    B. One person consuming the product does not reduce the amount of it available to others.
    C. People consume too little of the product because they are unaware of its true benefits.
    D. There is an unlimited supply of the product.

14. (w23 qp 12-2) What is considered the essential requirement for all entrepreneurs
    A. attracting customers
    B. buying stock
    C. managing staff
    D. taking risks

15. (s24 qp 11-4) Why does the concept of scarcity apply to the use of fossil fuels
    A. Demand fluctuates according to price changes.
    B. Supply is insufficient to meet demand.
    C. Their use is restricted because of harmful pollution.
    D. They are being replaced by renewable energy sources.

16. (w25 qp 13-1) The following appeared in a newspaper article. 'The economies of the poorest nations have large international debts; the richest nations should cancel the debts of these nations and reduce poverty.' What is the nature of each statement? poorest nations have richest nations should large international cancel these debts to debts reduce poverty
    A. normative normative
    B. normative positive
    C. positive positive
    D. positive normative

17. (s25 qp 13-4) What is the most likely benefit of specialisation to a firm
    A. increase in motivation of employees
    B. increase in imports from other countries
    C. increase in the number of employees
    D. increase in the level of output

18. (w25 qp 14-3) A government wants to move its economy away from central planning towards a market economy. Which policy would be consistent with this aim

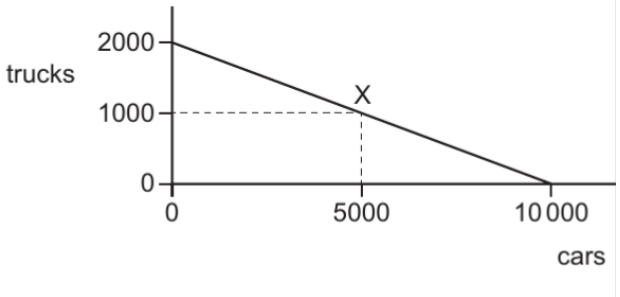
A. introduce tariffs on imported goods

B. privatise the ownership of electricity generation

C. provide free education for primary school pupils

D. reduce prices of foods such as wheat and rice

19. (w24 qp 13-26) A country currently producing at point X on its production possibility curve decides to specialise in the manufacture of cars and import trucks. It finds it can import one truck in exchange for four cars.



What is the result in the domestic market if it exports all the extra cars?

A. 250 extra trucks

B. 1000 extra trucks

C. 1250 extra trucks

D. 2000 extra trucks

20. (w25 qp 14-11) What is a characteristic of a public good

A. Households cannot accurately value the benefits of a good.

B. Households cannot be excluded from consuming the good.

C. The amount of the good available diminishes as households consume it.

D. Households are rivals in the consumption of the good.

21. (w25 qp 11-28) What is not a limitation of the theory of comparative advantage

A. the movement of factors of production between countries

B. governments' imposition of trade restrictions

C. one country being more efficient in the production of all goods

D. transport costs outweighing any comparative advantage

22. (w25 qp 12-4) What will decrease the opportunity cost of this choice

A. a decrease in the wages paid to apprentice engineers

B. a decrease in the number of students studying engineering degrees

C. a decrease in the number of top grade engineering degrees awarded

D. a decrease in the length of an engineering apprenticeship to four years

23. (s24 qp 11-6) Which reason given for a fall in living standards is a normative statement?

A. Average incomes have failed to keep pace with price rises during the past year.

B. Energy prices have increased by more than 50% during the past year.

C. The distribution of incomes has become more unfair during the past year.

D. The poorest 10% of households have suffered the greatest fall in average real income during the past year.

24. (s23 qp 13-4) Which economic conditions are likely to encourage an increase in enterprise?

	interest rates	profit tax	consumer confidence	unemployment
A	high	high	high	high
B	high	low	low	high
C	low	low	high	low
D	low	low	low	low

25. (w25 qp 14-1) What is characterised as a free good?

A. one that has zero opportunity cost

B. one that is non-excludable and non-rivalrous

C. one that is supplied by the government with no charge

D. one that receives a 100% government subsidy

26. (s25 qp 13-1) A tourist visits a government-owned tropical beach. She pays $10 to enter but finds it overcrowded. Which type of good is the beach?

A. a free good

B. an inferior good

C. a public good

D. a private good

27. (s24 qp 13-28) The table shows the output of goods X and Y in China and the United States (US) before specialisation. good X good Y China 20 000 70 000 US 20 000 50 000 total 40 000 120 000 Assuming both China and the US use 50% of their resources to produce each product, what will the combined total output be after specialisation has occurred?

	good X	good Y
China	20 000	70 000
US	20 000	50 000
total	40 000	120 000

Assuming both China and the US use 50% of their resources to produce each product, what will the combined total output be after specialisation has occurred?

A. 120 000

B. 140 000

C. 160 000

D. 180 000

28. (m25 qp 12-1) Which statement about a market economy is not correct

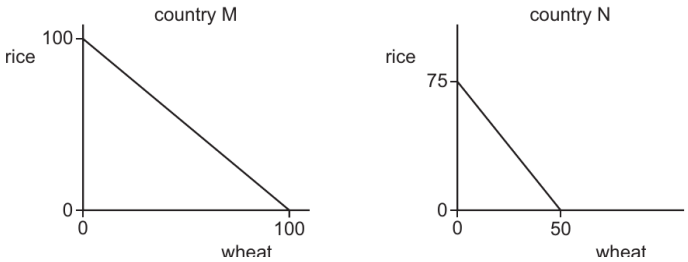
A. Competition is promoted among firms which can increase productive efficiency.

B. Immobility of the factors of production can lead to allocative inefficiency.

C. Price always reflects all the costs and all the benefits associated with production.

D. The entrepreneur is encouraged to innovate and take risks, motivated by profit.

29. (s23 qp 12-26) The diagrams show the production possibilities for wheat and rice for countries M and N.



Countries M and N operate on their production possibility curves and, before specialisation, country M produces 60 units of wheat and country N produces 30 units of wheat. What will be the change in the world output of rice if both countries decide to specialise according to comparative advantage?

A. It will fall by 5 units.

B. It will fall by 30 units.

C. It will rise by 5 units.

D. It will rise by 30 units.

30. (s25 qp 14-3) Under which conditions are free market forces most likely to allocate resources efficiently in an economy?

	demerit goods	merit goods	public goods
A	a few	a few	a few
B	many	many	a few
C	none	many	none
D	none	none	none

31. (s25 qp 12-2) The diagram is from a chapter on 'The Fundamental Economic Problem' in an Economics textbook. It should contain the terms opportunity cost, scarcity and choice in the order that identifies the fundamental economic problem. leads to leads to What is the correct order for the terms to appear in the diagram? What is the correct order for the terms to appear in the diagram?



A. choice → opportunity cost → scarcity

B. choice → scarcity → opportunity cost

C. scarcity → choice → opportunity cost

D. scarcity → opportunity cost → choice

32. (s25 qp 12-10) Farmers want to extract wild honey from beehives. They find the beehives by following birds known as honeyguide birds who want the beeswax that is also found in the beehives. What does this suggest?

A. Farmers and honeyguide birds are rival consumers.

B. Wild honey and beeswax are free goods.

C. Wild honey and beeswax are in joint supply.

D. Wild honey is the opportunity cost of beeswax.

33. (s25 qp 12-4) A country increases its spending on education and training. It pays for this by reducing unemployment benefit payments and increasing taxes on imports of machinery. What is the likely effect of these changes?

	human capital	physical capital
A	decreases	decreases
B	decreases	increases
C	increases	decreases
D	increases	increases

34. (s23 qp 12-1) Which factor of production is needed first in order to set up a new business

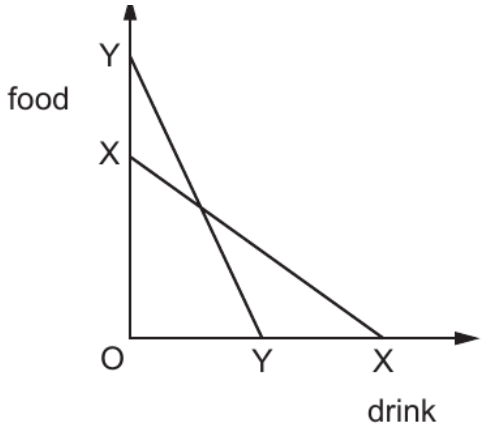
A. capital

B. enterprise

C. labour

D. land

35. (s23 qp 11-3) The diagram shows the change in a country' s production possibility curve from XX to YY. Y food X O Y X drink What would explain this change? What would explain this change?



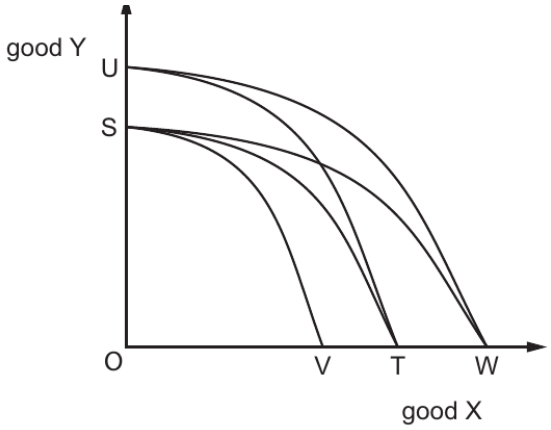
A. Consumers chose to consume more food and less drink.

B. Government taxed food production and subsidised drink production.

C. Productivity rose in food production and fell in drink production.

D. There were more imports of food and more exports of drink.

36. (w25 qp 12-5) The diagram shows a production possibility curve (PPC) for a country that produces two goods, X and Y. The initial PPC is given by ST. good Y U S O V T W good X What is the effect on the PPC when the productivity of workers producing good X increases? What is the effect on the PPC when the productivity of workers producing good X increases?



A. The PPC shifts from ST to SV.

B. The PPC shifts from ST to SW.

C. The PPC shifts from ST to UT.

D. The PPC shifts from ST to UW.

37. (s24 qp 13-5) A government introduces an effective minimum price for a product but makes no other intervention in the market. This policy suggests that the government' s objective is

A. to discourage consumption of a demerit good.

B. to increase the consumption of a merit good.

C. to reduce the price of a private good.

D. to support the incomes of producers.

38. (s24 qp 11-2) The nature of a typical car assembly plant has changed. The industry has fewer firms, operates on larger sites and has more automated machinery. How is this change most likely to have affected the relative use of factors of production in the industry?

	increased relative use	decreased relative use
A	capital and enterprise	labour and land
B	enterprise and labour	land and capital
C	labour and land	capital and enterprise
D	land and capital	enterprise and labour

39. (w25 qp 13-28) What is meant by comparative advantage

A. One country can produce a product at a lower opportunity cost than another country.

B. One country can produce more of a product than another country, using a given level of resources.

C. One country has lower barriers to trade than another country.

D. One country is making more efficient use of factors of production than another country.

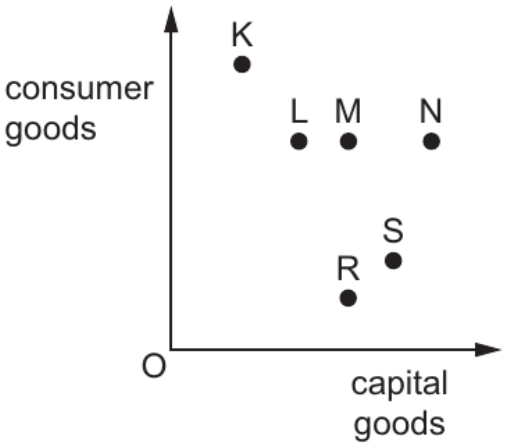
40. (s24 qp 11-26) Under which conditions are the gains from specialisation and free trade likely to be smallest?

	factor mobility between goods M and N	factor mobility between countries X and Y
A	high	high
B	high	low
C	low	high
D	low	low

Further Practice（进阶练习）· 12

A. Scarcity, methodology and factors

1. (s25 qp 13-2) The diagram shows a country' s production possibilities. Points K, L, M, N, R and S represent different combinations of capital goods and consumer goods. Point K cannot be achieved unless there is economic growth. Point M lies on the country' s production possibility curve. K consumer goods L M N S R O capital goods Which two points must be on opposite sides of the country' s production possibility curve? Which two points must be on opposite sides of the country' s production possibility curve?



A. K and N

B. L and R

C. N and R

D. R and S

2. (w24 qp 11-3) Which statement is not correct?

A. Addictive drugs are regarded as demerit goods because users are unaware of the full damage they do.

B. Air is regarded as a free good because its use has no opportunity cost.

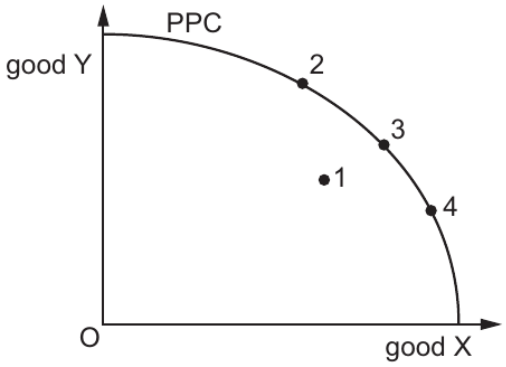
C. National defence is regarded as a public good because one citizen "consuming" it reduces the amount of it available to others.

D. Visits to a doctor are regarded as private goods partly because they are rival.

3. (w25 qp 14-2) Which combination correctly identifies the rewards to each factor of production?

	land	labour	enterprise	capital
A	wages	rent	profit	interest
B	rent	wages	profit	interest
C	rent	wages	interest	profit
D	profit	interest	wages	rent

4. (w23 qp 11-1) Country Z operates with a production possibility curve (PPC). Currently, output is at combination 1.



Which movement has zero opportunity cost in terms of the goods produced?

A. 1 to 2

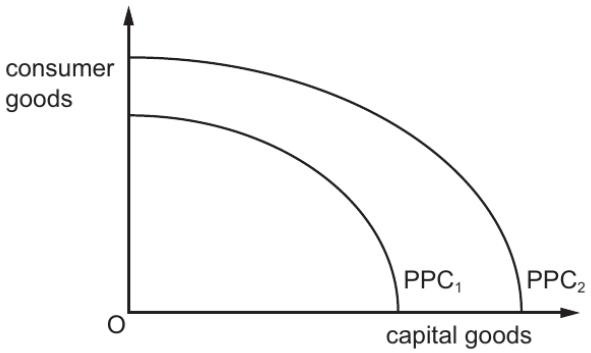
B. 1 to 3

C. 2 to 3

D. 3 to 4

B. Systems and PPC

5. (s25 qp 12-5) The diagram shows an outward shift of the production possibility curve from PPC1 to PPC2. consumer goods PPC1 PPC2 O capital goods What could have caused this shift? What could have caused this shift?



A. a decrease in mineral resources

B. a decrease in prices of consumer goods

C. an increase in employment

D. an increase in technology

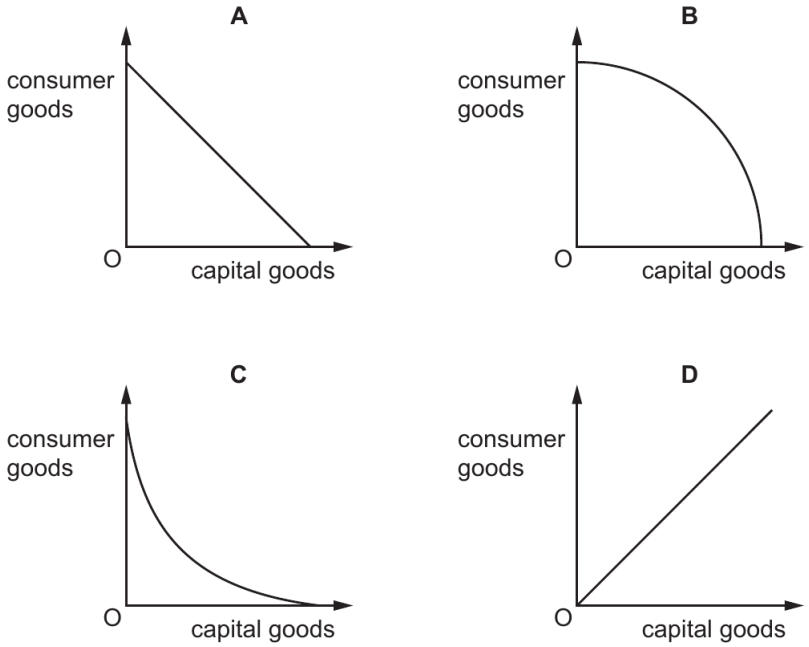
6. (w25 qp 11-2) A country with a market economy changes to a mixed economy. When is this change likely to achieve the largest improvement in resource allocation?

	number of demerit goods in the country	Gini coefficient value for the country
A	many	0.4
B	many	0.7
C	few	0.4
D	few	0.7

7. (w24 qp 13-5) A government wishes to encourage the consumption of a merit good and reduce the consumption of a demerit good. Which policy should it adopt towards each good?

	merit good	demerit good
A	impose a minimum price	produce only in the public sector
B	increase advertising on the benefits of the good	put legal controls on output
C	confine access to certain age groups	tax output
D	subsidise the good	set a minimum level of output

8. (w24 qp 11-4) The diagrams show production possibility curves. Which diagram shows constant opportunity costs?



9. (w23 qp 13-24) Country R and country S are going to trade 1 unit of product X for 21 unit of product Y. With a given amount of resources: • country R can produce either 30 units of product X or 50 units of product Y • country S can produce either 20 units of product X or 25 units of product Y. Which statement is correct, according to the theory of comparative advantage?

Luke		Zoe	
rings	bracelets	rings	bracelets
18	0	20	0
12	6	16	8
6	12	12	16
0	18	8	24

Which statement is not correct?

A. Free trade will benefit both R and S.

B. Free trade will benefit neither R nor S.

C. Free trade will benefit R but not S.

D. Free trade will benefit S but not R.

10. (w24 qp 11-2) A firm operating in country S moved its existing capital equipment to a larger factory in country T. It also installed more of the same equipment and increased the size of its workforce. From the evidence provided, what must be true

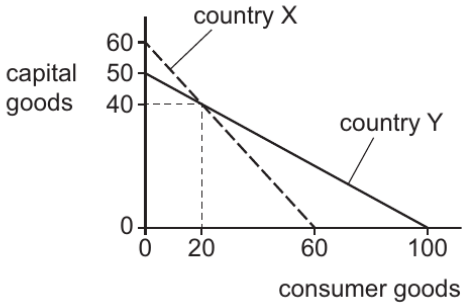
A. The firm is operating in the long run.

B. The firm is operating in the very long run.

C. The firm's division of labour has increased.

D. The firm's supply curve has shifted to the left.

11. (s25 qp 11-2) The diagram shows the production possibility curves of two countries, X and Y.



What can be concluded from the diagram?

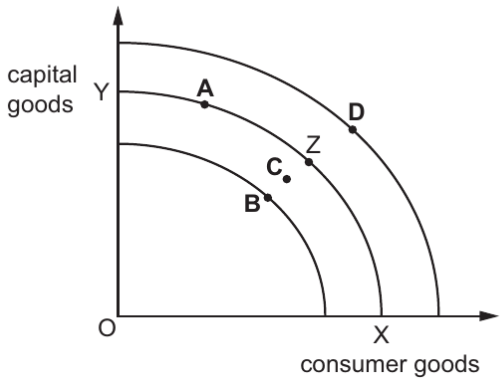
A. Both countries have decreasing opportunity cost in the production of consumer goods.

B. Both countries should produce 40 units of capital goods and 20 units of consumer goods.

C. Country Y has constant opportunity cost in the production of consumer goods.

D. Country Y is producing more consumer goods than country X.

12. (w25 qp 14-4) A country is currently producing at output Z on production possibility curve XY. Its annual economic growth rate is forecast to decline over the next ten years to 5% per year. If the forecast is correct, which point represents its most likely economic output in 10 years?



A. point A

B. point B

C. point C

D. point D

Advanced Practice（培优练习）· 10

A. Harder application

1. (s25 qp 13-13) a government. Which statement relating to the direct provision of a flood-control dam is not correct

   A. It allows the government to tackle the failure to provide public goods.

   B. It forces the government to incur an opportunity cost.

   C. It involves the supply of a merit good.

   D. It is an example of government allocation of resources.

2. (w25 qp 13-6) Which type of good must this be

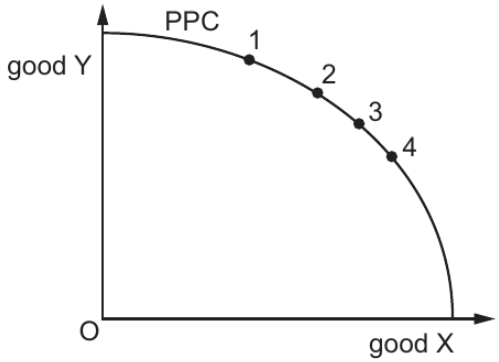
   A. complementary good

   B. merit good

   C. private good

   D. public good

3. (w23 qp 12-4) Eastern European nations have changed from planned to market economies. Which policy was least likely to have been adopted? Which changes take place in country T' s opportunity costs of producing X as it increases production of X?



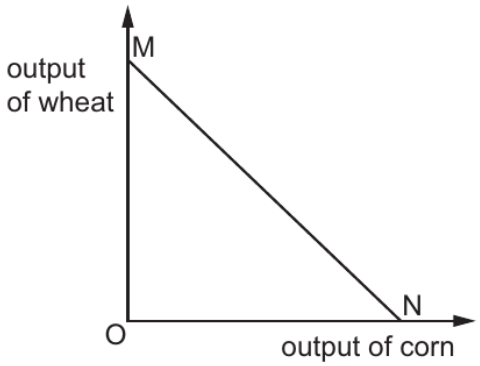
   A. allowing prices to fluctuate

   B. keeping established economic organisations

   C. privatising essential industries

   D. permitting changes in the money supply

4. (m23 qp 12-4) The diagram shows the production possibility curve for wheat and corn. M output of wheat N O output of corn What can be deduced from the diagram? What can be deduced from the diagram?



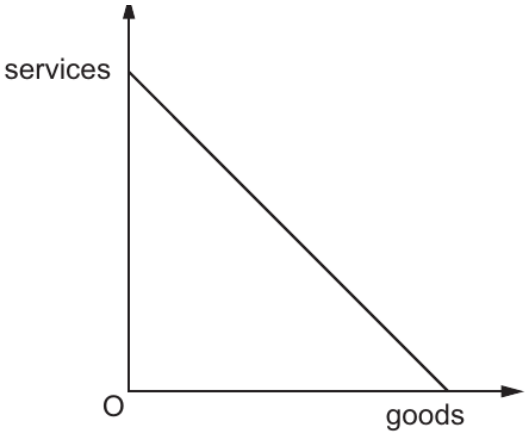
A. As the price of corn falls, more of it is demanded.

B. Resources used in producing corn are more efficient than in producing wheat.

C. The opportunity cost of producing corn falls when moving from M to N.

D. The opportunity cost of producing corn is constant when moving from M to N.

5. (s23 qp 13-3) The diagram shows an economy' s production possibility curve. The economy produces combinations of goods and services using all available resources. services O goods What does the production possibility curve indicate for goods and services? What does the production possibility curve indicate for goods and services?



A. constant returns to scale in the production of both goods and services

B. diminishing returns to scale in the production of both goods and services

C. increasing returns to scale in the production of both goods and services

D. infinite returns to scale in the production of both goods and services

B. Classification traps

6. (w23 qp 12-3) 2 1 O capital goods If an increase in GDP then takes place, what is the increase in production?

   A. r to s

   B. r to u

   C. s to t

   D. t to u

7. (s23 qp 13-9) Country X and country Y each allocate half of their resources towards the manufacturing of shoes, and the other half towards the manufacturing of t-shirts. Resources can be used equally effectively in the production of both products in both countries. The table shows the output of shoes and t-shirts produced by both countries using half their resources in each case, before specialisation.

country	shoes	t-shirts
X	4 000	12 000
Y	2 000	8 000
total	6 000	20 000

   What can be concluded from the data?

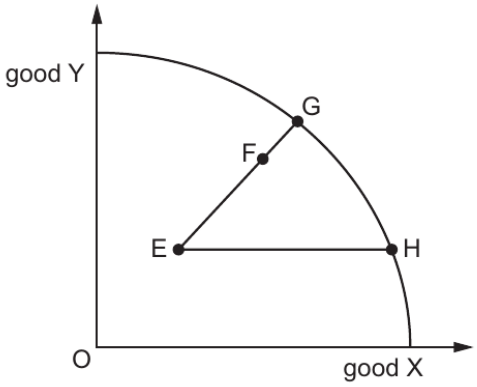
   A. The opportunity cost of country Y producing two shoes is four t-shirts.

   B. The opportunity cost of country X producing one t-shirt is four shoes.

   C. The total output of shoes and t-shirts after specialisation would be 24 000.

   D. The total output of shoes and t-shirts after specialisation would be 28 000.

8. (s24 qp 13-2) The diagram shows a production possibility curve for an economy that produces two goods, X and Y. good Y G F E H O good X When will the opportunity cost of producing more of good X be the largest? When will the opportunity cost of producing more of good X be the largest?



A. moving from point E to point F

B. moving from point E to point G

C. moving from point E to point H

D. moving from point G to point H

9. (w23 qp 11-3) A country' s health care is funded by taxation but can be used free of charge by patients. Which type of good is health care in this country

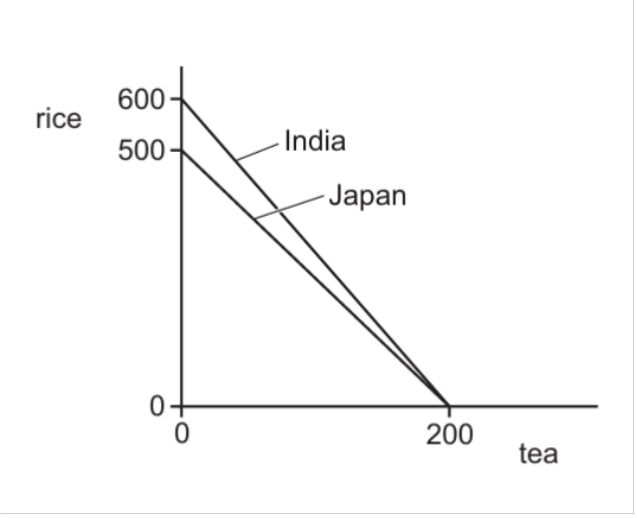
A. demerit good

B. free good

C. private good

D. public good

10. (s23 qp 11-23) The diagram shows production possibility curves for two countries, India and Japan.



Which combination of outputs would be achieved if each country specialised in the product in which it has a comparative advantage?

	rice	tea
A	600	200
B	600	500
C	1200	200
D	1200	1000

2 The Price System and the Microeconomy（价格机制与微观经济）

Demand and supply; PED, YED and XED; PES; equilibrium and related markets; functions of price; consumer and producer surplus.

Rules 规则

- Own $P \Rightarrow$ movement along D/S; other factors $\Rightarrow$ shift.
- PED $= \%\Delta Q_d / \%\Delta P$. $|PED| > 1$ elastic; < 1 inelastic; $= 1$ unitary; 0 vertical; ∞ horizontal.
- TE $= P \times Q$. Inelastic: $P \uparrow \Rightarrow$ TE $\uparrow$; elastic: $P \uparrow \Rightarrow$ TE $\downarrow$.
- YED $= \%\Delta Q_d / \%\Delta Y$: > 0 normal; < 0 inferior; > 1 luxury; $0 <$ YED < 1 necessity.
- XED $= \%\Delta Q_A / \%\Delta P_B$: > 0 substitutes; < 0 complements.
- PES $= \%\Delta Q_s / \%\Delta P$. More elastic: long run, spare capacity, storage.
- Equilibrium: $Q_d = Q_s$. $P < P^*$ shortage; $P > P^*$ surplus.
- CS = WTP − price; PS = price − min. supply price.

Worked Examples 例题

Example 1. Price rises from \$5 to \$6. Quantity demanded falls from 100 to 90. What is PED?

A. -0.5

B. -0.6

C. -1.0

D. -2.0

$\%\Delta P = 20\%$; $\%\Delta Q_d = -10\%$; PED $= -0.5$. **A**

Example 2. Tea and coffee are substitutes. The price of coffee rises, ceteris paribus. In the market for tea

A. demand shifts left.

B. demand shifts right.

C. supply shifts left.

D. there is a movement along demand only.

Consumers switch to tea: D shifts right. **B**

入门综合 · 40

1. (m24 qp 12-6) What is the definition of effective demand?
   A. demand that is speculative
   B. demand that is supported by the ability to pay
   C. the relationship between price and quantity demanded
   D. the total amount demanded by consumers

2. (w25 qp 11-6) Which statement defines market equilibrium?
   A. when ceteris paribus no longer applies
   B. when quantity demanded equals quantity supplied
   C. when quantity demanded is equal to price
   D. when supply can no longer expand

3. (s25 qp 11-6) What is not a function of the price mechanism?
   A. to act as a signal to firms when allocating resources
   B. to maximise consumer surplus
   C. to provide an incentive to firms to produce goods
   D. to ration scarce resources

4. (w25 qp 12-6) What is consumer surplus?
   A. the amount of a consumer’ s income less the amount paid in income tax
   B. the amount of a consumer’ s income less the amount paid for goods and services
   C. the amount of a consumer’ s income received in bonuses and overtime pay
   D. the amount a consumer is willing to pay for a product less the amount actually paid

5. (w25 qp 14-9) What is a major function of the price mechanism?
   A. providing incentives for government intervention to reduce income inequality
   B. removing shortages by creating incentives for market prices to fall
   C. removing surpluses by creating incentives for market prices to rise
   D. signalling changes in market conditions to producers and consumers

6. (s23 qp 12-5) Price plays a number of functions in the allocation of resources. Which statement best illustrates the function that relies upon consumer choice (sometimes known as the incentivising function)?

   A. A price fall can show consumers that a good is becoming less popular.

   B. A price fall tends to persuade some producers not to stay in the market for the good.

   C. A price rise means consumers cannot afford to buy so much of a good.

   D. A price rise tends to reduce competitiveness in the market for a good.

7. (s23 qp 13-8) What would not cause a shift in the demand curve for a good?

   A. a change in the price of a complement

   B. a change in the price of a substitute

   C. a change in the price of the good itself

   D. a change in consumers' incomes

8. (s23 qp 13-6) What is most likely to cause a shift in the supply curve for rice?

   A. a change in the price of the rice

   B. a change in the price of meat

   C. a change in the size of the rice industry

   D. a change in tastes and preferences for rice

9. (s23 qp 13-9) What does joint supply mean?

   A. A firm can choose between producing a range of different goods.

   B. A good has multiple uses.

   C. A good is a by-product of the production process of another good.

   D. Consumers consider two goods as complements.

10. (s23 qp 11-5) Which row correctly describes the relationship between two goods implied by the value of the cross elasticity of demand?

	value of the cross elasticity of demand	description
A	−2.0	weak complements
B	−0.5	weak substitutes
C	+0.5	weak substitutes
D	+2.0	strong complements

11. (s23 qp 11-6) What does consumer surplus measure?
    A. the excess profit earned by the producer of a good
    B. the opportunity cost to the consumer of not buying a good
    C. the price the marginal consumer is willing to pay for a good
    D. the consumer' s gain from purchasing a good at a price below what they are willing to pay

12. (s23 qp 11-9) In which situation is the demand for a product said to be price elastic?
    A. The quantity demanded responds to a change in price.
    B. An increase in price brings about a decrease in the quantity demanded.
    C. An increase in price induces consumers to spend more on the product.
    D. A decrease in price brings about an increase in revenue.

13. (w23 qp 12-5) Rice and pasta are both basic foods in a country. How would a health scare concerning rice affect the market for pasta?
    A. There will be a shift of demand and a contraction of supply.
    B. There will be a shift of demand and an extension of supply.
    C. There will be a shift of supply and a contraction of demand.
    D. There will be a shift of supply and an extension of demand.

14. (w23 qp 12-8) After a 10% decrease in a consumer' s income, the consumer' s demand for a good rises from 100 to 105. What is the value of the consumer' s income elasticity of demand for this good?
    A. –2.0
    B. –0.5
    C. +0.5
    D. +2.0

15. (w23 qp 13-6) The supply curve for a firm is a horizontal straight line. What can be concluded from this statement?
    A. Quantity supplied is infinite at the given price.
    B. Quantity supplied is infinite below the given price.
    C. Quantity supplied remains constant at all prices.
    D. Quantity supplied is perfectly inelastic.

16. (w23 qp 13-10) The price elasticity of demand for a product is −0.6. The supplier wants to clear all surplus stock of a product and reduces the price of a good by 50%. What is the effect of this price change on the quantity purchased and the expenditure on the good?

	quantity demanded	expenditure
A	rises by 30%	falls
B	rises by 30%	rises
C	rises by 60%	falls
D	rises by 60%	rises

17. (w23 qp 13-11) A firm is producing 100 units at a price of $10. The price elasticity of supply is 0.5 and the price is raised to $12. What is the new level of output?

A. 75

B. 110

C. 125

D. 150

18. (w23 qp 13-12) In a town, bus fares fall by 50% and this leads to an increase in bus use by 30%. The effect on car use is very low with only a 1% reduction. What is the value of the cross-elasticity of demand between car travel and bus travel?

A. –0.60

B. –0.02

C. +0.02

D. +0.60

19. (m23 qp 12-5) A supply curve is represented by the equation quantity supplied = 10 + 5P where P = the price of the product. Which price rise would cause the quantity supplied to double?

A. $1 to $2

B. $1 to $3

C. $1 to $4

D. $1 to $5

20. (m23 qp 12-8) A sports stadium has two prices of seats. The cheaper seats are $10 and the more expensive seats are $20. When the prices of all seats are increased by 10%, the effects on demand are a fall of 5% for the cheaper seats and a fall of 12% for the more expensive seats. What describes the responsiveness of demand to the change in price?

	cheaper seats	more expensive seats
A	elastic	elastic
B	elastic	inelastic
C	inelastic	elastic
D	inelastic	unitary elasticity

21. (m23 qp 12-9) Which statement correctly describes the shape of the demand curve for a normal good?

A. It shows an inverse relationship between income and quantity demanded.

B. It shows an inverse relationship between the price of the good and quantity demanded.

C. It shows a positive relationship between the price of the good and quantity demanded.

D. It shows a positive relationship between income and quantity demanded.

22. (m23 qp 12-11) Butter and buttermilk are goods in joint supply. Supply curves in both markets slope upwards to the right. Health concerns cause people to reduce their consumption of butter. What are the initial consequences of this for supply in the markets for butter and buttermilk?

	supply of butter	supply of buttermilk
A	move left along supply curve	move left along supply curve
B	move left along supply curve	shift left of the supply curve
C	shift left of the supply curve	move left along supply curve
D	shift left of the supply curve	shift left of the supply curve

23. (m24 qp 12-7) The price elasticity of demand for good X is –2.4, its income elasticity of demand is –0.4 and the cross elasticity of demand for good X with respect to good Y is +0.8. What is the correct description of good X?

A. inferior good, price-elastic demand and substitute for good Y

B. inferior good, price-inelastic demand and complement to good Y

C. normal good, price-elastic demand and complement to good Y

D. normal good, price-inelastic demand and substitute for good Y

24. (m24 qp 12-9) The price elasticity of the supply of yoghurt is estimated to be +1.5. If the demand for yoghurt rises and price rises by 20%, how much more will be supplied to the market?

A. 0.3%

B. 3.0%

C. 13.3%

D. 30%

25. (m24 qp 12-10) Butter is a normal good. It is in joint demand with bread and in joint supply with buttermilk. The demand for butter increases because of a rise in consumer incomes. What are the effects of this increase on the prices of bread and buttermilk?

	price of bread	price of buttermilk
A	decreases	decreases
B	decreases	increases
C	increases	decreases
D	increases	increases

26. (s24 qp 11-6) An increase in which factor is likely to cause a shift to the left of the demand curve for cinema movies?

A. expenses for the heating system in the cinema

B. payments charged by movie scriptwriters

C. the cost of transport to the cinema

D. taxes on the incomes of cinema operators

27. (s24 qp 11-8) Which statement is correct?

A. Demand for an inferior good has a positive relationship to income and a negative relationship to price.

B. Demand for an inferior good has a negative relationship to income and a negative relationship to price.

C. Demand for a normal good has a positive relationship to income and a positive relationship to price.

D. Demand for a normal good has a negative relationship to income and a positive relationship to price.

28. (s24 qp 11-9) In which row are both statements correct?

	consumer surplus	producer surplus
A	the value that consumers gain from consuming a good over and above the value that would have been gained from consuming the next best alternative	the difference between the actual revenue received by firms for a good and the profit maximising revenue
B	the value that consumers gain from consuming a good over and above the price paid	the difference between the price received by firms for a good or service and the price at which they would have been prepared to supply that good
C	the value that consumers gain from consuming a good over and above the price paid	the difference between the actual revenue received by firms for a good and the profit maximising revenue
D	the value that consumers gain from consuming a good over and above the value that would have been gained from consuming the next best alternative	the difference between the price received by firms for a good and the price at which they would have been prepared to supply that good

29. (s24 qp 11-10) A firm calculates that the income elasticity of demand for its product is −3.0. What can be deduced from this information?

A. In a period of economic growth, its total revenue should increase.

B. In a period of economic recession, its total revenue should increase.

C. It has few substitutes so it should increase its price to increase total revenue.

D. It has many substitutes so it should decrease price to increase total revenue.

30. (s24 qp 13-6) Which business is likely to be the slowest to alter its output in response to a sustained increase in demand for its product?

A. a fast-food restaurant

B. a household cleaning service

C. a newspaper printer

D. an oil exploration company

31. (s24 qp 13-7) A company uses large amounts of gas to produce steel. Supplies of gas are reduced at the same time as the market for steel is hit by a recession. What can be said about the likely changes in the market for steel?

	equilibrium price	equilibrium quantity
A	falls	uncertain
B	rises	uncertain
C	uncertain	falls
D	uncertain	rises

32. (s24 qp 13-8) A firm is charging a price of $12 for its product and using 80% of its production capacity of 10 000 units per month. Assuming the product has unitary price elastic demand, which price should the firm charge to utilise its full capacity?

A. $9.00

B. $9.60

C. $10.00

D. $10.60

33. (s24 qp 13-10) What most accurately describes a market supply curve?

A. supply at different income levels, assuming product prices remain unchanged

B. supply at different levels of factor prices, assuming product prices remain unchanged

C. supply at different prices, assuming no changes in technology

D. supply at different time periods, assuming no changes in technology

34. (w24 qp 11-6) In a particular year, 12 000 units of a good are sold at $1 per unit. In a later year, 14 000 units are sold at $1.20 per unit. If consumer tastes have remained constant, what could account for the change between the two years?

A. a decrease in the price of raw materials used by producers

B. an increase in the price of a substitute good

C. an increase in the rate of tax imposed on producers

D. the formation of a monopoly in the production of the good

35. (w24 qp 11-7) What is most likely to cause an increase in the consumer surplus in the market for a normal good?

A. an increase in consumer incomes

B. an increase in the number of substitute goods

C. an increase in the price of a complementary good

D. an increase in the price of the good

36. (w24 qp 11-8) The table shows Lee' s and Yim' s price elasticity of demand for restaurant meals and cinema tickets. Lee Yim restaurant meals –1.2 –0.8 cinema tickets –0.7 –1.3 There is a rise in the price of restaurant meals and a fall in the price of cinema tickets. What can be concluded after these price changes?

A. Restaurant owners will receive more income.

B. Lee will spend more money on both cinema tickets and restaurant meals.

C. Yim will spend more money on both cinema tickets and restaurant meals.

D. Cinema owners will receive less income.

37. (w24 qp 11-10) Which elasticity would a shortage of skilled workers affect?

A. cross elasticity of demand

B. income elasticity of demand

C. price elasticity of demand

D. price elasticity of supply

38. (w24 qp 12-7) A firm produces a good using a very labour-intensive process. There is an increase in the price of the good. Under which conditions will the supply of the firm' s good be most price elastic?

	nature of labour employed by the firm	level of unemployment in the economy
A	skilled	high
B	skilled	low
C	unskilled	high
D	unskilled	low

39. (w24 qp 12-8) What is most likely to cause the demand curve of an inferior good to shift to the right?

A. a rise in consumers' incomes

B. a rise in income tax

C. a rise in sales tax

D. a rise in the price of a complement

40. (w24 qp 13-6) Shoe manufacturers often use leather to make their most expensive shoes. Due to a world shortage of leather, the price of leather has risen. What will be the effect of this price change?

A. The demand curve for leather shoes will shift to the left.

B. The demand curve for a substitute for leather shoes will shift to the right.

C. The supply curve for leather shoes will shift to the right.

D. The supply curve for a substitute for leather to make expensive shoes will shift to the right.

Further Practice（进阶练习）· 12

1. (s25 qp 12-7) When can a product be said to have a negative income elasticity of demand?

   A. When it is a luxury good.

   B. When it is a necessity good.

   C. When it is a normal good.

   D. When it is an inferior good.

2. (s25 qp 13-6) A theatre has a fixed number of tickets to sell for each performance. What is the price elasticity of supply?

   A. perfectly elastic

   B. perfectly inelastic

   C. unit elastic and negative

   D. unit elastic and positive

3. (s25 qp 13-9) What is true for income elasticity of demand but not for price elasticity of demand?

   A. It helps firms differentiate between goods with elastic and inelastic demand.

   B. It helps firms differentiate between normal and inferior goods.

   C. It helps firms predict the changes in the quantity demanded.

   D. It helps firms predict the changes in sales revenues.

4. (s25 qp 13-10) The table shows the supply and demand for avocados in kilograms (kg).

price per kg ($)	quantity demanded per day (kg)	quantity supplied per day (kg)
45	170	230
40	190	190
35	210	150
30	230	110

   As a result of lower transport costs, supply rises by 60 kg at all prices. What is the new equilibrium price?

   A. $45

   B. $40

   C. $35

   D. $30

5. (s25 qp 13-11) A construction firm estimates that the price elasticity of supply in building a nuclear power plant is +0.1. What might explain this?

   A. The firm can easily find new land as required.

   B. The firm is competing with many other construction firms.

   C. The firm needs time to hire the highly skilled labour required.

   D. There is a lack of close substitutes for nuclear power.

6. (s25 qp 14-6) Along which axis can the market demand curve be aggregated from individual demand curves?

   A. both the horizontal and the vertical axis

   B. the horizontal axis only

   C. the horizontal or the vertical axis but not both

   D. the vertical axis only

7. (s25 qp 14-8) A survey into the market for good X found that it is an inferior good and a close substitute for good Y. Which values for the income elasticity of demand for good X and its cross elasticity of demand with respect to the price of good Y would support this?

	YED for good X	XED for good X w.r.t. price of good Y
A	−1.2	−0.9
B	−1.2	+0.9
C	+1.2	−0.9
D	+1.2	+0.9

8. (s25 qp 14-9) What is the likely nature of the price elasticity of supply of a crop such as rice?

   A. highly elastic in both the short and the long run as rice is an essential product

   B. highly elastic in the short run and more inelastic in the long run as production methods improve

   C. highly inelastic in both the short and the long run as the land area of a country is fixed

   D. highly inelastic in the short run and more elastic in the long run as it takes time to plant rice

9. (s25 qp 14-10) The price of laptop computers falls. The price of which product is likely to rise as a result? The price of which product is likely to rise as a result?

   A. desktop computers

   B. carrying cases for laptop computers DO NOT WRITE IN THIS MARGIN

   C. monitors for desktop computers

   D. workstation tables for desktop computers

10. (w25 qp 11-8) Which statement is true if the income elasticity of demand for a good has a value of –0.2?

A. When income rises less of the good is bought.

B. When income rises more of the good is bought.

C. When price falls more of the good is bought.

D. When price rises less of the good is bought.

11. (w25 qp 11-9) The table shows the price of a good and total expenditure on the good during specific periods. What can be deduced from this data?

A. The good has constant opportunity cost.

B. The good is an inferior good.

C. The price elasticity of demand is equal to one.

D. The price elasticity of supply is equal to zero.

12. (w25 qp 12-9) Public transport in an economy has an income elasticity of demand of –0.36. What does this mean about public transport?

A. It is an inferior good.

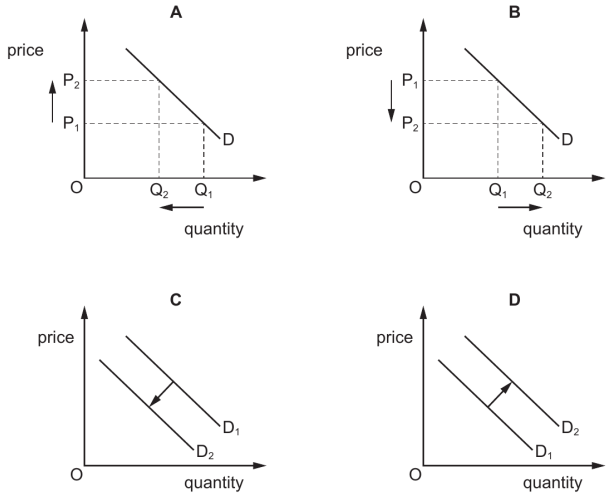
B. It is a necessity.

C. It is a normal good.

D. It has close substitutes.

Advanced Practice（培优练习）· 10

1. (s25 qp 11-7) Cars and petrol (gasoline) are in joint demand. What is the effect of an increase in the price of cars on the demand for petrol?



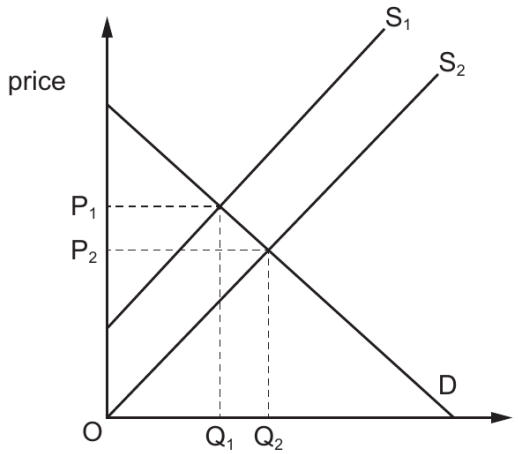
A. a movement up along the demand curve

B. a movement down along the demand curve

C. a leftward shift of the demand curve

D. a rightward shift of the demand curve

2. (s25 qp 11-9) The diagram shows the demand for and supply of a product. What could cause supply to shift from S_1 to S_2?



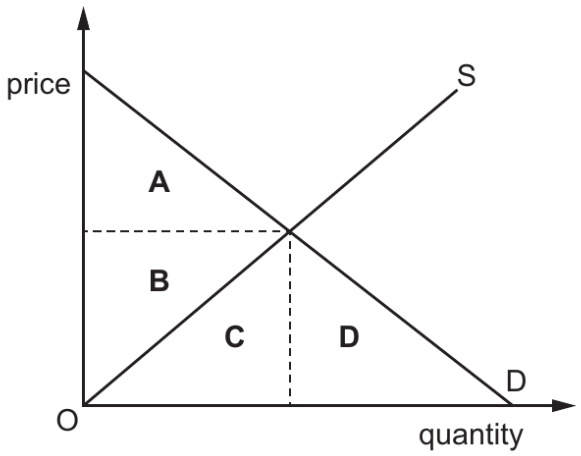
A. a fall in the price of the product

B. a fall in labour costs

C. a rise in the price of the product

D. a rise in labour costs

3. (s25 qp 11-10) The diagram shows the demand for and supply of a product. Which area shows producer surplus?



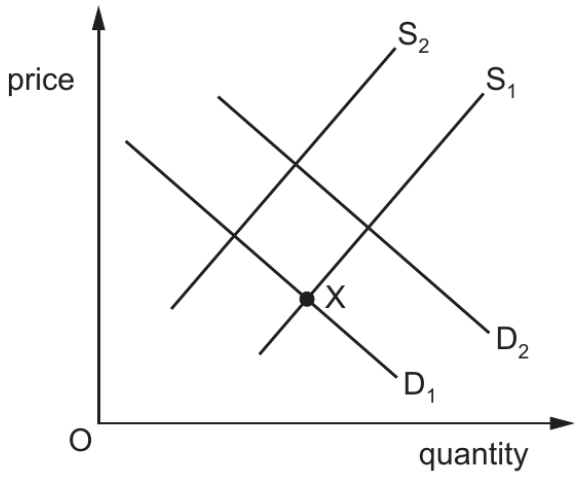
A. the triangle above the equilibrium price and below the demand curve

B. the triangle below the equilibrium price and above the supply curve

C. the triangle below the supply curve and to the left of equilibrium quantity

D. the triangle below the demand curve and to the right of equilibrium quantity

4. (s25 qp 12-6) D1 and S1 are the initial demand and supply curves in the market for new cars with an equilibrium at X. S2 price S1 X D2 D1 O quantity What will cause the demand curve to shift to D2 and the supply curve to shift to S2? What will cause the demand curve to shift to D_2 and the supply curve to shift to S_2?



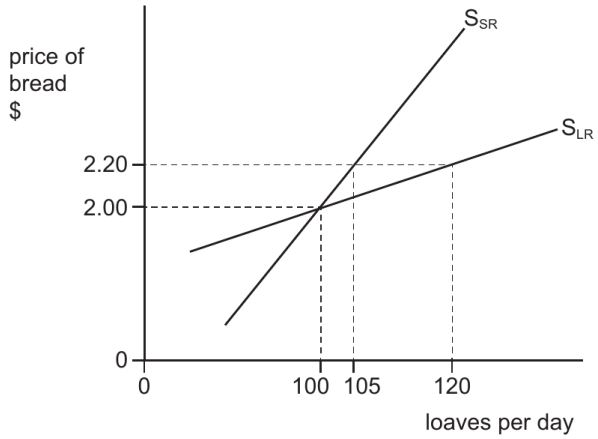
A. a decrease in real incomes and a rise in the costs of new car production

B. a decrease in the price of petrol and a subsidy on new car production

C. an increase in the availability of loans for new car purchases and a specific tax on new cars

D. an increase in the price of train travel and an increase in the number of car producers

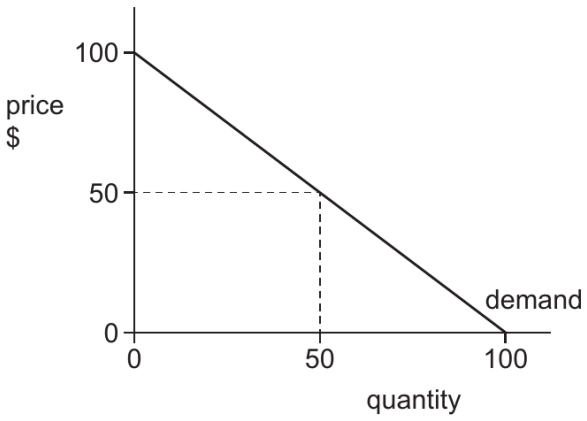
5. (s25 qp 12-8) The diagram shows the short-run supply curve (S_{SR}) and long-run supply curve (S_{LR}) for a bakery. The price of a loaf of bread increases from \$2.00 to \$2.20.



What is the bakery' s price elasticity of supply (PES) in the short run and in the long run?

	short run	long run
A	0.5	2.0
B	0.5	1.4
C	2.0	0.7
D	2.0	0.5

6. (w25 qp 12-8) The diagram shows the demand curve for a product. What is the price at which the price elasticity of demand is unit elastic?



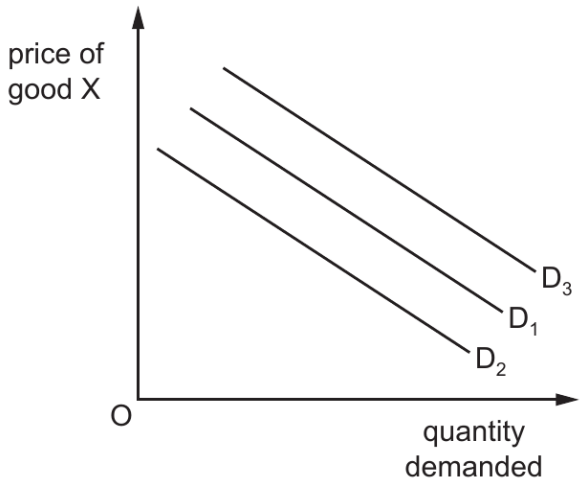
A. \$0

B. \$50

C. \$100

D. every price along the demand curve

7. (w25 qp 13-7) Market demand curves normally slope downwards. They may also shift from D1 to either D2 or D3. price of good X D3 D1 D2 O quantity demanded What would cause a movement along D1 for good X and not a shift to either D2 or D3? What would cause a movement along D_1 for good X and not a shift to either D_2 or D_3?



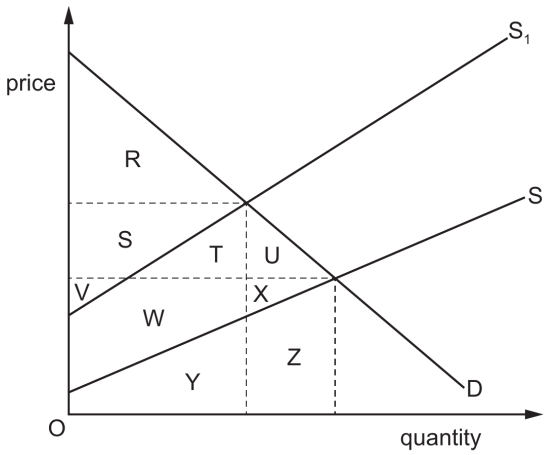
A. advertising of good X increases sales

B. consumer incomes rise

C. the price of good X falls

D. the prices of other goods fall

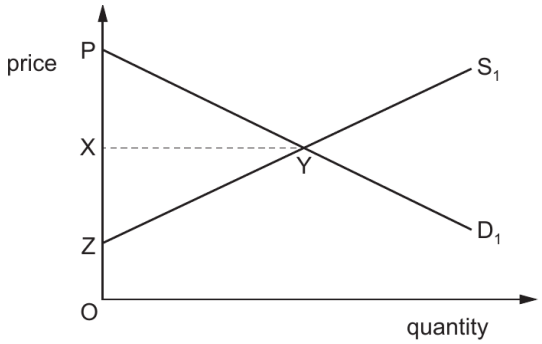
8. (w25 qp 14-10) In the diagram, D and S represent the initial demand and supply conditions for a good.



Which row correctly represents the change in consumer surplus and producer surplus if supply shifts to S_1?

	consumer surplus	producer surplus
A	increases by U	increases by S+T+U
B	falls by S+T	falls by W+X
C	falls from S+T+U	falls by Y+Z
D	falls to R	falls to S+V

9. (m25 qp 12-7) The diagram represents the market for a good. P price S1 X Y D1 Z O quantity Which statement is correct? Which statement is correct?



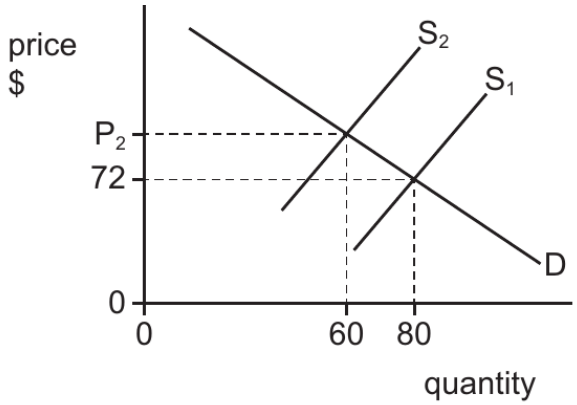
A. OX represents the price above which no producer wishes to stay in the market.

B. OZ represents the minimum price consumers are prepared to pay.

C. PYZ represents the total consumer surplus.

D. XYZ represents the total producer surplus.

10. (m25 qp 12-8) The diagram shows the impact on equilibrium due to an increase in the costs of production. The original price is \$72. The price elasticity of demand is −2.0.



What is the new equilibrium price, P_2?

A. \$81.00

B. \$84.00

C. \$92.00

D. \$108.00

3 Government Microeconomic Intervention(政府微观干预)

Reasons for intervention; specific taxes and subsidies; direct provision; maximum and minimum prices; buffer stocks; information; income and wealth inequality.

Rules 规则

- **Tax**（从量税）: S up by the tax. Incidence: inelastic side pays more.
  vertical D: consumers all; vertical S: producers all.
- **Subsidy**（补贴）: S down; consumer P falls, Q rises.
- **Max price**（最高价）: binding iff $< P^*$ $\Rightarrow$ shortage.
- **Min price**（最低价）: binding iff $> P^*$ $\Rightarrow$ surplus (min. wage: unemployment risk).
- **Buffer stock**（缓冲库存）: buy below floor, sell above ceiling.
- **Income**（收入）= flow; **wealth**（财富）= stock. Gini: 0 equal, 1 unequal (no calculation).

Worked Examples 例题

Example 1. A maximum price is set above the current equilibrium. The result is

A. a shortage.

B. a surplus.

C. no immediate effect on price or quantity.

D. a black market for sure.

Not binding. **C**

Example 2. Demand is perfectly inelastic. A specific tax is paid

A. entirely by producers.

B. entirely by consumers.

C. equally by both.

D. by the government.

Price rises by the full tax. **B**

入门综合 · 40

1. (s25 qp 12-9) An increase in which variable will always lead to an increase in the consumer surplus?

   A. cost of production

   B. maximum price

   C. minimum price

   D. subsidy

2. (m25 qp 12-12) A government may use a range of methods to intervene in a market to affect both demand and supply. What is a method which will shift the demand curve for a good?

   A. an indirect tax

   B. a subsidy

   C. direct provision

   D. provision of information

3. (m25 qp 12-14) Why is it more difficult to quantify the wealth of an individual rather than their income?

   A. A skilled artist may keep a painting in stock whose value increases after their death.

   B. Individuals can choose to spend all available income, leaving wealth unchanged.

   C. Not every form of individual wealth can be traded for money in a market.

   D. Wealth is a stock which cannot be broken down into an individual' s different assets.

4. (m25 qp 12-15) The table shows the Gini coefficient for income in three countries. 2018 2019 2020 Costa Rica 0.479 0.478 0.497 New Zealand 0.330 0.326 0.320 Sweden 0.275 0.280 0.278 What can be concluded from this data?

	2018	2019	2020
Costa Rica	0.479	0.478	0.497
New Zealand	0.330	0.326	0.320
Sweden	0.275	0.280	0.278

   What can be concluded from this data?

   A. All three countries have seen an overall improvement in income equality.

   B. Costa Rica has the highest level of consumer income of all three countries.

   C. New Zealand's income inequality worsened between 2018 and 2020.

   D. Sweden's economy has the highest income equality of all three countries.

5. (s25 qp 12-12) What would not be included in the calculation of an individual' s wealth?

A. the house owned by the individual

B. the savings in the individual' s bank account

C. the stocks and shares owned by the individual

D. the wages earned by the individual

6. (s25 qp 12-13) Why might governments provide free education for children aged 4 to 16 years old?

A. Consumers are not fully aware of the benefits of education.

B. Education in a free market system would be over consumed.

C. Education is a public good and there would be many free riders.

D. The private costs of education exceed the private benefits in a free market.

7. (s23 qp 13-14) There are 10 000 tickets available to watch a sports final at a national stadium. The initial market equilibrium ticket price is $20. The government decides to fix an effective minimum price for the tickets. Under which conditions will the consumer surplus for the tickets decrease the most as a result of the minimum price?

	minimum price level ($)	price elasticity of demand for tickets
A	18	−0.5
B	18	−1.5
C	22	−0.5
D	22	−1.5

8. (w23 qp 12-6) Some goods are over-consumed in a market economy. What is likely to be the cause of this? What is likely to be the cause of this?

A. Consumer surplus exceeds producer surplus.

B. Consumers undervalue the benefits of consuming the goods.

C. There is excess supply in the market for the goods.

D. There is imperfect information in the market.

9. (s25 qp 13-12) Which statement about maximum and minimum prices is correct?

A. With an effective maximum price for a product, a shortage will develop.

B. With an effective maximum price for a product, the market price will rise.

C. With an effective minimum price for a product, rationing will be necessary.

D. With an effective minimum price for a product, the market price will fall.

10. (s25 qp 13-14) A country depends heavily on the production of an agricultural product, good X. It decides to introduce a buffer stock scheme for good X. The government allocates a fixed amount of money for setting up and running the scheme. In which situation is the scheme least likely to run out of money?

	new farmers can enter	storage cost	global demand
A	easy	high	constant
B	easy	low	rising
C	difficult	high	constant
D	difficult	low	rising

11. (w25 qp 11-5) Which merit good is likely to be under-consumed the most?

	imperfect information	producer subsidy
A	high	yes
B	high	no
C	low	yes
D	low	no

12. (w23 qp 13-16) Which combination of policies would increase the inequality of the distribution of income and wealth? progressive minimum transfer taxes wage payments

A. decrease increase reduce

B. decrease reduce reduce

C. increase increase increase

D. increase reduce increase

13. (w25 qp 11-12) A government gives a subsidy to a producer of a product. What will be the likely effect of this?

A. a shift to the left in the demand curve and a rise in equilibrium quantity

B. a shift to the left in the supply curve and a rise in equilibrium quantity

C. a shift to the right in the demand curve and a fall in equilibrium price

D. a shift to the right in the supply curve and a fall in equilibrium price

14. (w25 qp 11-13) What would be included in a measure of wealth?

A. annual income

B. benefits and pensions

C. interest earned on savings

D. savings held in bank accounts

15. (w25 qp 11-14) Why might a government introduce a minimum price for a product?

A. to benefit poorer consumers

B. to encourage consumption of a merit good

C. to encourage production of a public good

D. to support the incomes of producers

16. (w25 qp 14-13) What is an example of direct public provision of goods and services?

A. a charity hospital funded by public donations that offers free treatment to the rural poor

B. a mobile government library that travels to rural villages offering access to books

C. a private-sector pharmacy that provides treatment directly to the public

D. a private school that offers free places to children of low income families

17. (w25 qp 14-14) When is a minimum wage most likely to help reduce the problem of income inequality?

A. Higher paid workers maintain pay differentials.

B. Labour mobility is low.

C. The informal economy is small.

D. The minimum wage leads to increased unemployment.

18. (w25 qp 14-15) What is not true about subsidies?

A. They are paid to firms.

B. They have to be paid back.

C. They reduce the cost of production.

D. They shift the supply curve to the right.

19. (m25 qp 12-14) Why is it more difficult to quantify the wealth of an individual rather than their income?

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	2018	2019	2020
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C. New Zealand's income inequality worsened between 2018 and 2020.

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21. (w23 qp 12-6) Some goods are over-consumed in a market economy. What is likely to be the cause of this? What is likely to be the cause of this?

A. Consumer surplus exceeds producer surplus.

B. Consumers undervalue the benefits of consuming the goods.

C. There is excess supply in the market for the goods.

D. There is imperfect information in the market.

22. (w24 qp 13-5) A government wishes to encourage the consumption of a merit good and reduce the consumption of a demerit good. Which policy should it adopt towards each good?

	merit good	demerit good
A	impose a minimum price	produce only in the public sector
B	increase advertising on the benefits of the good	put legal controls on output
C	confine access to certain age groups	tax output
D	subsidise the good	set a minimum level of output

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C	confine access to certain age groups	tax output
D	subsidise the good	set a minimum level of output

24. (m24 qp 12-13) Why are merit goods under-consumed in a free market?

A. they are non-excludable

B. imperfect information about private benefits

C. they have zero opportunity cost

D. their supply is perfectly inelastic

25. (s25 qp 11-11) What is an example of wealth?

A. interest received

B. profits

C. property

D. incomes

26. (s25 qp 11-12) Too much sugar causes an increase in a consumer' s weight. A government has introduced a 'sugar tax' on the consumption of soft drinks that have a high sugar content. How might this policy help to reduce the number of overweight people?

A. Consumers switch to cheaper brands of soft drink with a high sugar content.

B. Consumers switch to other high-sugar substitute goods, such as alcohol or sweets.

C. The price elasticity of demand for soft drinks is inelastic.

D. The tax revenue is spent on education about the dangers of soft drink consumption.

27. (s25 qp 11-13) A … 1 … price set below the market equilibrium will cause a … 2 … of the product, and a … 3 … price set above the market equilibrium will cause a … 4 … of the product. Which words complete gaps 1, 2, 3 and 4?

	1	2	3	4
A	maximum	shortage	minimum	surplus
B	maximum	surplus	minimum	shortage
C	minimum	shortage	maximum	surplus
D	minimum	surplus	maximum	shortage

A. A

B. B

C. C

D. D

28. (s25 qp 12-11) An indirect tax is imposed on good X. Which situation is most likely to result in producers bearing a higher burden of the tax?

A. price elasticity of demand is elastic

B. price elasticity of demand is inelastic

C. price elasticity of supply is elastic

D. price elasticity of supply is inelastic

29. (s25 qp 12-12) What would not be included in the calculation of an individual' s wealth?

A. the house owned by the individual

B. the savings in the individual' s bank account

C. the stocks and shares owned by the individual

D. the wages earned by the individual

30. (s25 qp 12-13) Why might governments provide free education for children aged 4 to 16 years old?

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B. Education in a free market system would be over consumed.

C. Education is a public good and there would be many free riders.

D. The private costs of education exceed the private benefits in a free market.

31. (s25 qp 13-12) Which statement about maximum and minimum prices is correct?

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B. With an effective maximum price for a product, the market price will rise.

C. With an effective minimum price for a product, rationing will be necessary.

D. With an effective minimum price for a product, the market price will fall.

32. (s25 qp 13-14) A country depends heavily on the production of an agricultural product, good X. It decides to introduce a buffer stock scheme for good X. The government allocates a fixed amount of money for setting up and running the scheme. In which situation is the scheme least likely to run out of money?

	new farmers can enter	storage cost	global demand
A	easy	high	constant
B	easy	low	rising
C	difficult	high	constant
D	difficult	low	rising

33. (s25 qp 14-12) Why might a government subsidise internet access in remote areas?

A. to discourage a demerit good

B. to increase consumption where there is under-consumption / imperfect information

C. to create a maximum price

D. to reduce measured GDP

34. (w25 qp 12-10) Which good is most suitable for a successful buffer stock scheme?

	perishable	cheap to store	easy to produce
A	yes	yes	yes
B	no	no	yes
C	no	yes	no
D	yes	no	no

35. (w24 qp 11-13) A specific tax is imposed on a product with zero price elasticity of supply. Who bears the tax burden?

A. consumers only

B. producers only

C. consumers and producers equally

D. the government

36. (w25 qp 11-5) Which merit good is likely to be under-consumed the most?

	imperfect information	producer subsidy
A	high	yes
B	high	no
C	low	yes
D	low	no

37. (w25 qp 11-10) What is an example of direct provision by a government?

A. The government introduces a subsidy on renewable fuels to help the environment.

B. The government introduces a unit tax on cigarettes to discourage consumption.

C. The government sets a maximum rent on housing to protect tenants.

D. The government takes over a private library to improve local services.

38. (w25 qp 11-12) A government gives a subsidy to a producer of a product. What will be the likely effect of this?

A. a shift to the left in the demand curve and a rise in equilibrium quantity

B. a shift to the left in the supply curve and a rise in equilibrium quantity

C. a shift to the right in the demand curve and a fall in equilibrium price

D. a shift to the right in the supply curve and a fall in equilibrium price

39. (w25 qp 11-13) What would be included in a measure of wealth?

A. annual income

B. benefits and pensions

C. interest earned on savings

D. savings held in bank accounts

40. (w25 qp 11-14) Why might a government introduce a minimum price for a product?

A. to benefit poorer consumers

B. to encourage consumption of a merit good

C. to encourage production of a public good

D. to support the incomes of producers

Further Practice（进阶练习）· 12

1. (w25 qp 12-13) To improve the health of people, a government puts a tax on the sale of drinks that contain sugar. What are the likely effects of this tax on both the prices of the drinks that contain sugar and the price of sugar? prices of drinks price of sugar

   A. decrease decrease

   B. decrease increase

   C. increase decrease

   D. increase increase

2. (w25 qp 12-14) The income Gini coefficient of a country changes from 0.29 to 0.33 over time. What might explain this change?

   A. an increase in food and energy subsidies

   B. an increase in structural unemployment

   C. an increase in the national minimum wage

   D. an increase in the top rate of income tax

3. (w25 qp 13-13) Assuming demand is price elastic, what will rise the most if an indirect tax is removed?

   A. consumer expenditures

   B. price of the product

   C. producers' revenues

   D. tax receipts

4. (w25 qp 13-16) A government intervenes in the market for good X. It fixes a minimum price above the market equilibrium. Which situation explains why the government would do this?

	good X	reason for intervention
A	demerit good	to decrease consumption
B	demerit good	to increase consumption
C	merit good	to decrease consumption
D	merit good	to increase consumption

5. (w25 qp 14-12) Which statement is correct?

   A. The tax falls entirely on the consumer.

   B. The tax falls entirely on the producer.

   C. The tax falls to a greater extent on the consumer than on the producer.

   D. The tax falls to a smaller extent on the consumer than on the producer.

6. (w25 qp 14-14) When is a minimum wage most likely to help reduce the problem of income inequality?

   A. Higher paid workers maintain pay differentials.

   B. Labour mobility is low.

   C. The informal economy is small.

   D. The minimum wage leads to increased unemployment.

7. (w25 qp 14-13) What is an example of direct public provision of goods and services?

   A. a charity hospital funded by public donations that offers free treatment to the rural poor

   B. a mobile government library that travels to rural villages offering access to books

   C. a private-sector pharmacy that provides treatment directly to the public

   D. a private school that offers free places to children of low income families

8. (w25 qp 14-15) What is not true about subsidies?

   A. They are paid to firms.

   B. They have to be paid back.

   C. They reduce the cost of production.

   D. They shift the supply curve to the right.

9. (自编 · 价格管制) What is the effect of setting an effective maximum price below equilibrium and an effective minimum price above equilibrium?

	maximum price	minimum price
A	shortage	surplus
B	shortage	shortage
C	surplus	surplus
D	surplus	shortage

10. (s24 qp 13-12) An effective minimum price is introduced with no other intervention. What does this suggest is the government' s objective?

    A. to encourage consumption of a merit good

    B. to raise producer incomes

    C. to reduce a demerit good' s price

    D. to remove a shortage

11. (s25 qp 13-13) Which statement is correct?

A. It allows the government to tackle the failure to provide public goods.

B. It forces the government to incur an opportunity cost.

C. It involves the supply of a merit good.

D. It is an example of government allocation of resources.

12. (w24 qp 13-12) Why might a government use direct provision to solve the free-rider problem?

A. because public goods are non-excludable

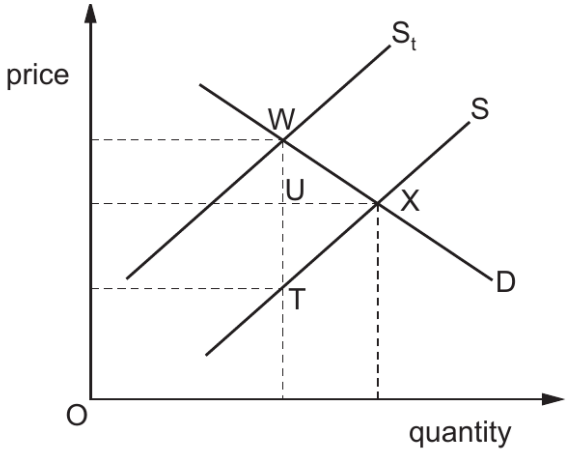
B. because private goods are non-rival

C. because merit goods have zero opportunity cost

D. because demerit goods are over-consumed

Advanced Practice（培优练习）· 10

1. (s23 qp 11-12) A specific tax is placed on the sale of bottles of lemonade. In the diagram, S is the supply curve before imposition of the tax and S_t is the supply curve after tax. Which distance represents the specific tax on each bottle?



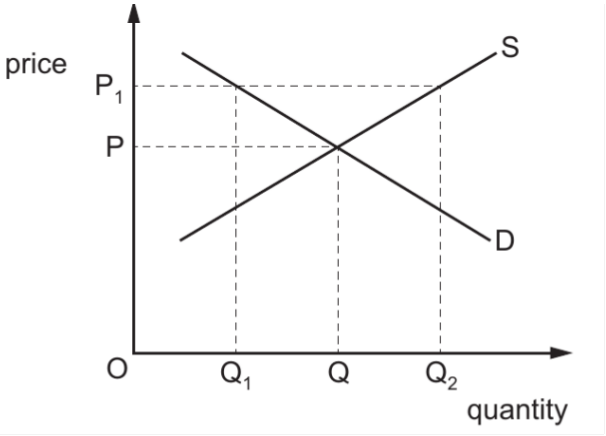
A. UT

B. WT

C. WU

D. WX

2. (s23 qp 11-14) The diagram shows the demand and supply curves for a good. The government fixes a maximum price of OP_1. What would happen?



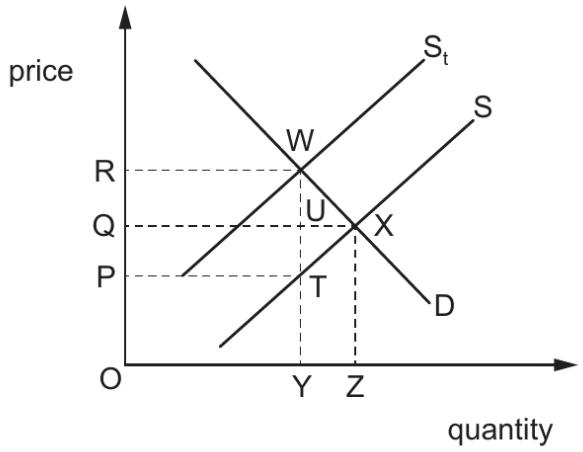
A. Consumers would have to be rationed to quantity OQ_1.

B. The government would have to introduce a subsidy of PP_1.

C. The market equilibrium quantity OQ would be demanded and supplied.

D. The supply of quantity OQ_2 would be guaranteed.

3. (s23 qp 12-10) A specific tax is placed upon each bottle of perfume sold. In the diagram, S is the supply curve before tax, S_t is the supply curve after tax. Which area represents that part of the tax revenue paid by producers?



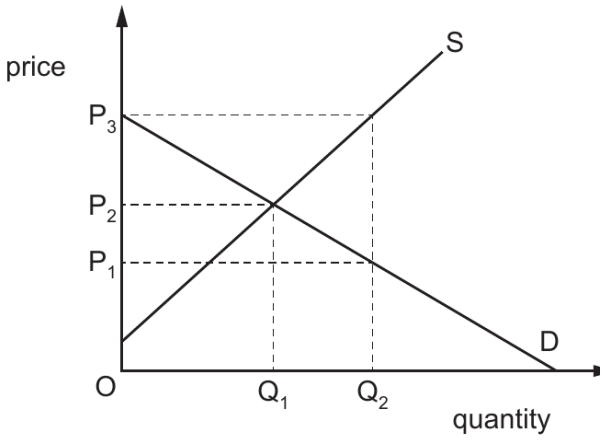
A. ORWY

B. PQUT

C. PRWT

D. QRWU

4. (s25 qp 11-14) The diagram shows the demand for and supply of eye tests provided by opticians. Which policy would enable the government to increase the number of eye tests from OQ_1 to OQ_2?



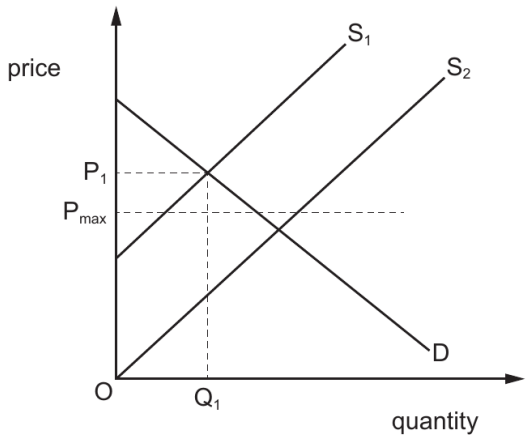
A. a maximum price of OP_3 per test

B. a minimum price of OP_2 per test

C. a subsidy paid to opticians of $P_3 - P_2$ per test

D. a subsidy paid to opticians of $P_3 - P_1$ per test

5. (s25 qp 12-14) The diagram shows the demand and supply for rice. The market for rice is initially in equilibrium at a price of P_1. The government introduces a maximum price of P_{max}. At the same time the supply of rice increases. What is the impact of these changes on the market for rice?



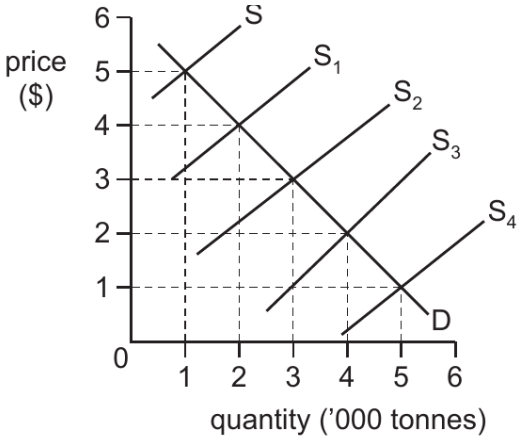
A. A new market equilibrium will be established.

B. An illegal market for rice will develop.

C. There will be a shortage of rice.

D. There will be a surplus of rice.

6. (s25 qp 12-15) In the diagram, D is the demand curve of an agricultural commodity and S is the initial supply curve. The government promises to maintain farmers' incomes at least at this initial level. The harvests in four subsequent years are shown by supply curves S_1–S_4. How much in total will the government need to pay to support farmers over the four subsequent years?



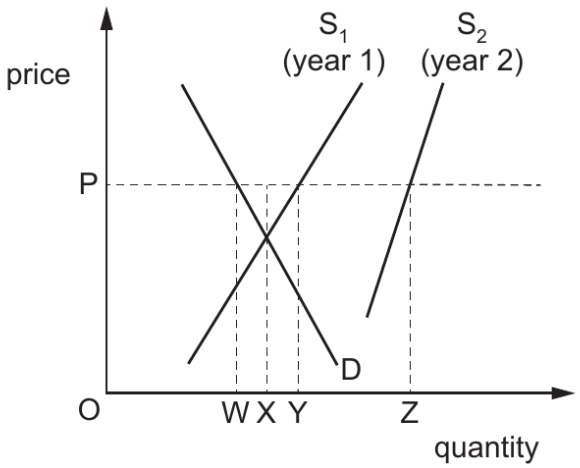
A. \$0

B. \$3000

C. \$6000

D. \$10 000

7. (w24 qp 12-12) In the diagram, S1 and S2 are the supply curves for an agricultural product in years 1 and 2 respectively. D is the demand curve in years 1 and 2. In year 1, the government purchased an amount necessary to ensure that the price was OP. S1 S2 price (year 1) (year 2) P D O WX Y Z quantity The price is held at OP in year 2. How much more must the government buy in year 2 than it bought in year 1?



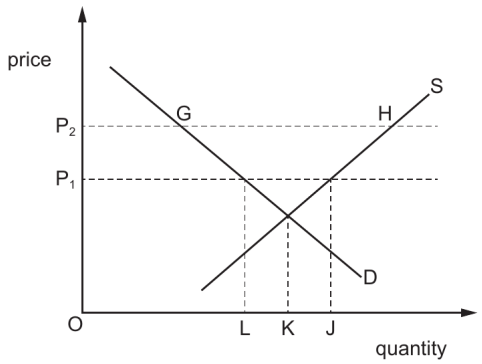
A. WZ

B. XY

C. XZ

D. YZ

8. (m25 qp 12-13) To help achieve price stability, the government in country F operates a buffer stock scheme, with a minimum price of P_1 and a maximum price of P_2. The current demand and supply in the market is shown. What should the government do to ensure the scheme is effective?



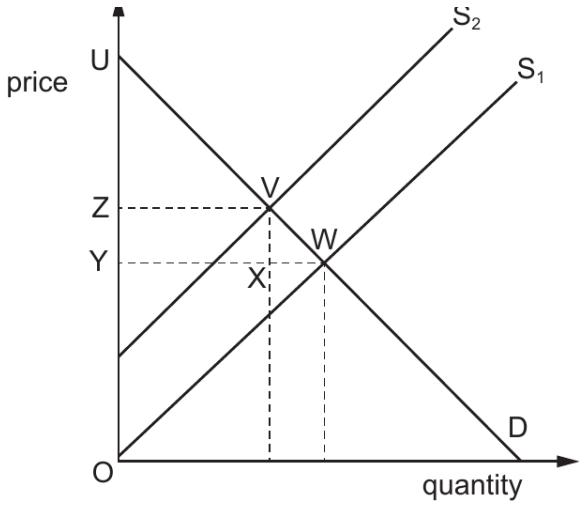
A. buy an amount equal to GH

B. buy an amount equal to KJ

C. buy an amount equal to LJ

D. do nothing as the equilibrium price is below P_1

9. (w25 qp 11-15) An indirect tax is imposed on a product. What is the change in consumer surplus?



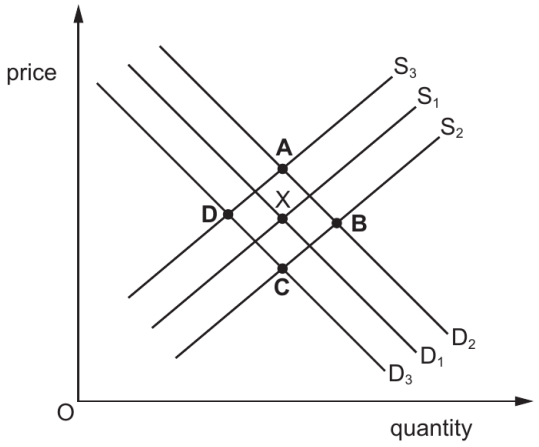
A. UWY

B. UVZ

C. ZVWY

D. ZVXY

10. (w25 qp 12-12) The diagram shows the market for a demerit good. The initial equilibrium is at point X. What will be the new equilibrium if the government imposes a unit tax on this demerit good and successfully informs consumers of its harmful effects?



A. point A

B. point B

C. point C

D. point D

4 The Macroeconomy（宏观经济）

National income (GDP, GNI, NNI); circular flow (no multiplier); AD/AS; economic growth; unemployment; inflation, deflation and the CPI.

Rules 规则

- GNI = GDP + net income from abroad; NNI = GNI − depreciation.
  market → basic prices: − product taxes + subsidies.
- Injections I, G, X; leakages S, T, M. Equilibrium: injections = leakages.
- AD = $C + I + G + (X - M)$. Change in P: along AD; other: shift.
  SRAS upward; LRAS vertical or Keynesian three-section.
- Growth: rise in real GDP / capacity. Nominal GDP can rise from prices alone.
- Unemployment: frictional, structural, cyclical, seasonal, technological.
- Inflation: sustained rise in P; deflation: P falling; disinflation: inflation *rate* falling.
  demand-pull: AD right; cost-push: SRAS left.

Worked Examples 例题

Example 1. GNI is obtained from GDP by

A. subtracting depreciation.

B. adding net income from abroad.

C. subtracting product taxes only.

D. adding injections $I + G + X$.

GNI = GDP + net income from abroad. **B**

Example 2. Disinflation means

A. the price level is falling.

B. the inflation rate is falling but may still be positive.

C. real GDP is falling.

D. SRAS has become vertical.

Prices can still be rising, just more slowly. **B**

入门综合 · 40

1. (w25 qp 11-16) The table shows selected statistics for a country. gross domestic product at market prices 600 indirect taxes 100 subsidies 50 What is the value of gross domestic product at basic prices?

   A. $500bn

   B. $550bn

   C. $650bn

   D. $700bn

2. (w25 qp 11-17) GDP of a country measured at current market prices was $1000bn in year 1. This had risen to $1100bn in year 2. Over the same period the general price level had risen by 5%. What has happened to real GDP?

   A. Real GDP fell by approximately 5%.

   B. Real GDP fell by approximately 10%.

   C. Real GDP rose by approximately 5%.

   D. Real GDP rose by approximately 10%.

3. (w25 qp 12-15) What is an example of an injection into the circular flow of income in an open economy?

   A. consumer spending on goods

   B. expenditure on a government construction project

   C. spending by households on holidays abroad

   D. repayment of loans to commercial banks

4. (w25 qp 13-17) The table below shows some national income statistics. $ billion GDP at basic prices 300 Indirect taxes 20 Subsidies 4 What is GDP at market prices?

   A. $276bn

   B. $284bn

   C. $316bn

   D. $324bn

5. (w25 qp 14-17) What is required to prevent a rising price level due to an increase in aggregate demand?

   A. Additional productive capacity must be created.

   B. Government investment must remain at a constant level to stabilise supply.

   C. Greater reliance must be placed on imported goods to overcome any domestic shortfalls.

   D. Wage rates must change more frequently to maintain levels of employment and output.

6. (s25 qp 11-16) Which statement correctly describes an increase in real GDP?

   A. Nominal GDP rising faster than nominal income.

   B. Nominal GDP rising faster than the rate of inflation.

   C. The rate of inflation rising faster than aggregate demand.

   D. The rate of inflation rising faster than nominal income.

7. (s25 qp 11-17) An open economy with a government sector is in equilibrium. Households in this economy save \$100 million and firms spend \$150 million on investment. Which combination of the budget balance and the current account balance would lead to an equilibrium position on the circular flow of income?

	budget balance	current account balance
A	\$100m deficit	\$50m deficit
B	\$100m deficit	\$50m surplus
C	\$100m surplus	\$50m deficit
D	\$100m surplus	\$50m surplus

8. (s25 qp 11-20) The price of a pack of six eggs rises from \$1.00 to \$1.32 over a year. Consumer prices, as measured by the consumer price index, rise by 10% over the same period. What is the real price of a pack of six eggs at the end of the year?

   A. \$1.00

   B. \$1.10

   C. \$1.20

   D. \$1.32

9. (s25 qp 12-16) Price stability can be said to occur if the measured value of the consumer prices index (CPI) is unchanged during the year. Which statement is correct?

   A. For price stability to occur, there must be no changes in prices of any products.

   B. For price stability to occur, the number of products whose prices rise must exactly match the number whose prices fall.

   C. If some prices rise and others fall, there cannot be price stability.

   D. Different weightings of items used in the calculation of CPI mean that price stability can occur

10. (s25 qp 12-17) Based on the circular flow of income, which condition is necessary for an open economy to be in equilibrium?

   A. Government investment is equal to private investment.

   B. Planned injections are equal to planned withdrawals.

   C. Spending by households is equal to taxes collected by government.

   D. Value of export earnings is equal to expenditure on imports.

11. (s25 qp 12-19) What is most likely to cause an unemployed worker to be classified as frictionally unemployed?

   A. lack of relevant skills for vacant jobs

   B. lack of up-to-date job vacancy information

   C. greater use of technology in the production process

   D. an increase in regional pay inequality

12. (s25 qp 12-20) The table shows figures estimated at the end of a train drivers' strike. $(000s) loss of ticket revenue for train companies 600 value placed on extra leisure time by strikers 20 loss of government tax revenue 40 overtime payments to police 30 What was the reduction in the recorded level of national income resulting from the strike?

   A. $570 000

   B. $610 000

   C. $640 000

   D. $690 000

13. (s25 qp 13-16) Which source of income is not included in measuring real GDP?

   A. pension paid to retired people

   B. profits made by firms

   C. rent paid to landlords

   D. wages paid to nurses

14. (s25 qp 13-17) The table shows some labour market statistics. million number of people of working age 45 number of people unemployed 2 number of people in the labour force 40 number of people in the population 80 What is the unemployment rate?

A. 2.5%

B. 5%

C. 6.25%

D. 12.5%

15. (s25 qp 13-19) An economy is experiencing a period of deflation. What must be happening?

A. The average price level is falling.

B. The output of the economy is falling.

C. The rate of inflation is falling.

D. The real value of money is falling.

16. (s25 qp 13-26) Which argument in favour of protectionism is not generally regarded as economically valid?

A. Once the protected industry becomes established, it will produce efficiently.

B. It prevents heavily subsidised imports from competing unfairly against domestic goods.

C. It provides time for the protected industry's workers to be retrained for other work.

D. It increases the standard of living of the population in general.

17. (s25 qp 14-15) What can be calculated using the formula ? price index in current year

$$\text{nominal GDP} \times \frac{\text{price index in base year}}{\text{price index in current year}} \text{ ?}$$

A. gross national income

B. real gross domestic product

C. net domestic income

D. net domestic product DO NOT WRITE IN THIS MARGIN ĬØú¾Ġ´íÈõÏĪÅĊÝú · Ā×

18. (s25 qp 14-16) What is always regarded as a cause, rather than a consequence, of a change in the circular flow of income?

A. a decrease in government tax revenue

B. an increase in consumption spending

C. an increase in savings

D. an increase in the value of exports

19. (s25 qp 14-17) The table shows some data for an economy. What is the equilibrium level of national income?

investment ($ million)	exports ($ million)	government expenditure ($ million)	savings ($ million)	imports ($ million)	taxation ($ million)	national income ($ million)
200	100	50	125	62.5	62.5	600
200	100	50	150	75	75	700
200	100	50	175	87.5	87.5	800
200	100	50	200	100	100	900

A. $600 million

B. $700 million

C. $800 million

D. $900 million

20. (m25 qp 12-17) In country S, frictional unemployment has decreased, but in country T, structural unemployment has increased. What would be possible explanations for these changes?

	country S	country T
A	a reduction in job search times	real wage rates are flexible
B	more job vacancy websites	the closure of several large mining firms
C	unemployment benefits have decreased	a fall in economic growth
D	unemployment benefits have increased	workers' skills do not match available jobs

21. (m25 qp 12-19) The money income of a country rises by 10% whereas its population falls by 10% during a year. What is likely to happen to the national income per head?

A. It will remain unchanged.

B. It will rise by exactly 20%.

C. It will rise by less than 20%.

D. It will rise by more than 20%.

22. (w24 qp 11-15) The table shows the Consumer Prices Index (CPI) for a country. Which statement about the period 2008 to 2013 is correct?

year	CPI
2008	100
2009	104
2010	102
2011	105
2012	108
2013	111

A. Prices increased each year.

B. Prices increased fastest in 2011.

C. The rate of inflation was 2% in 2010.

D. The smallest rise in prices was in 2013.

23. (w24 qp 11-17) What is most likely to increase a country's circular flow of income?

A. Its budget deficit increases.

B. Its imports increase.

C. Its interest rates increase.

D. Its exchange rate increases.

24. (w24 qp 11-18) A country with a constant population experiences a 5% increase in its nominal GDP during a year. In which situation will average living standards be most likely to have increased during the year?

A. if government takes action to ensure there is no increase in unemployment

B. if inflation during the year is 3%

C. if there is no increase in real national income

D. if there is no redistribution of income

25. (w24 qp 11-19) Which combination correctly identifies the necessary information to construct an accurately labelled graph of a normal short-run aggregate supply curve (SRAS)?

	gradient of the SRAS curve	horizontal x-axis	vertical y-axis
A	negative	quantity	price level
B	positive	real output	price level
C	positive	real output	price
D	positive	price level	real output

26. (w24 qp 11-20) A government makes two changes to income tax. 1 The individual tax-free income allowance is increased. 2 The marginal rate of income tax is decreased. How will these changes affect aggregate demand and aggregate supply in the economy?

	aggregate demand	aggregate supply
A	decrease	increase
B	decrease	unchanged
C	increase	increase
D	increase	unchanged

27. (w24 qp 12-16) An economy experiences rising unemployment due to incomes falling as a result of a virus pandemic. How would this unemployment be classified?

A. cyclical

B. frictional

C. seasonal

D. structural

28. (w24 qp 12-17) What is likely to move an economy's aggregate demand curve to the right?

A. a fall in income equality

B. a fall in incomes abroad

C. a fall in the exchange rate

D. a fall in the government budget deficit

29. (w24 qp 12-18) Which items have to be added to and subtracted from Gross Domestic Product at market prices to calculate the value of Gross Domestic Product at basic prices?

A. capital consumption and net property income from abroad

B. expenditure taxes and capital consumption

C. net property income from abroad and subsidies

D. subsidies and expenditure taxes

30. (w24 qp 12-23) The number of people employed in a country and the level of unemployment both decrease. What could explain this?

A. net inward immigration

B. an increase in the level of unemployment benefits

C. an increase in the age at which state pensions are payable

D. an increase in the number of university students

31. (w24 qp 13-15) A country experienced an annual deflation rate of 2% for four successive years. Which statement is correct for the four-year period?

A. The price level fell by 8%.

B. The price level fell by less than 8%.

C. The real value of money fell by 8%.

D. The real value of money fell by less than 8%.

32. (w24 qp 13-16) In the circular flow of income model of an economy, Y, C, I, G, X, S, T and M represent total income, consumption, investment, government expenditure, exports, saving, taxation and imports respectively. Which statement is correct?

A. At equilibrium, the levels of Y and C are always the same.

B. Governments always adjust G so that the economy is in equilibrium.

C. If I is not equal to S, it is still possible for the national income to be in equilibrium.

D. If the national income is in equilibrium, X must be equal to M.

33. (w24 qp 13-17) What leads to a rise in frictional unemployment?

A. an economy moving into a period of recession

B. replacement of workers with computers in the service sector

C. a change from an agriculturally based economy to an industrial economy

D. a rise in the number of workers leaving one job to look for another job

34. (w24 qp 13-18) The information shows data from a country's national income accounts.

	$ million
gross domestic product at market prices	200 000
gross value added at basic prices	180 000
subsidies	5 000
capital consumption	30 000

What can be concluded from the income accounts?

	net domestic product at market prices ($ million)	indirect tax revenue ($ million)
A	170 000	15 000
B	170 000	25 000
C	150 000	15 000
D	150 000	25 000

35. (s24 qp 11-19) Why would a fall in a country's average price level cause its aggregate demand curve to slope downwards?

A. It leads to an increase in interest rates.

B. It reduces the real value of money balances.

C. It makes the country's goods cheaper relative to foreign goods.

D. It leads to the expectation of further price falls.

36. (s24 qp 13-17) The table lists the values of the components of an economy's circular flow of income. component value $m government spending 6 exports 8 investment 9 imports 7 saving 10 tax 5 What can be concluded about the economy from the information shown?

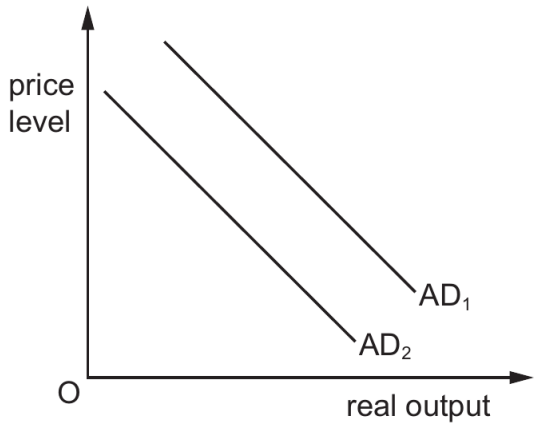
A. It has a budget surplus.

B. It has a trade deficit.

C. It is a mixed, open economy.

D. Its circular flow is in equilibrium.

37. (m24 qp 12-22) The diagram shows aggregate demand (AD) curves for an economy.



Which combination is most likely to have caused the shift from AD_1 to AD_2?

	income tax	sales tax
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

38. (w23 qp 11-17) What is not included in the measurement of national income?

A. benefits paid to the unemployed

B. dividends paid to shareholders

C. profits retained by companies

D. rent paid to landlords

39. (w23 qp 11-23) Under which conditions will nominal GDP and real GDP increase at the same rate in an economy?

	rate of change of national output (% per annum)	rate of change of general price level (% per annum)
A	0	–2
B	0	+2
C	+2	0
D	+2	+2

40. (s23 qp 13-18) The table gives data for an economy. In which year did real GDP decline compared with the previous year?

	2010	2011	2012	2013	2014
GDP at current prices ($ billion)	200	220	240	300	320
GDP deflator (price index)	100	109	125	149	154

A. 2011

B. 2012

C. 2013

D. 2014

Further Practice（进阶练习）· 12

1. (w25 qp 13-18) Under which conditions will real Gross Domestic Product (GDP) grow the fastest?

	rate of change in nominal GDP (% per year)	rate of change in general price level (% per year)
A	0	−2
B	0	+2
C	+2	−2
D	+2	+2

2. (w25 qp 14-19) Which increase makes cost-push inflation less likely to happen?

   A. indirect tax rates

   B. raw material shortages

   C. the foreign exchange rate

   D. trade union power

3. (w25 qp 13-19) A government is planning to increase its expenditure on defence. Half of this expenditure will be on equipment such as planes and weapons which it will have to import as it does not produce this equipment domestically. What is the initial impact on injections and leakages from the circular flow of income?

   A. The initial rise in injections is greater than the initial rise in leakages.

   B. The initial rise in injections is greater than the initial fall in leakages.

   C. The initial rise in injections is smaller than the initial rise in leakages.

   D. The initial rise in injections is smaller than the initial fall in leakages.

4. (w25 qp 11-20) The aggregate demand (AD) curve in an economy shifts to the left. What is most likely to cause this shift?

   A. a decrease in the exchange rate

   B. a decrease in the interest rate

   C. an increase in the budget deficit

   D. an increase in the current account deficit

5. (w25 qp 13-20) What might be a consequence of a fall in the domestic price level?

   A. imports become more competitive

   B. interest rates increase

   C. the purchasing power of savings falls

   D. the real value of incomes increases

6. (w25 qp 14-20) When calculating national income by the income method, what would not be included?

   A. income from abroad

   B. profits of private sector businesses

   C. rent from the ownership of land

   D. transfer payments

7. (w25 qp 12-20) What is not a likely reason for a government having the objective of economic growth?

   A. to improve living standards

   B. to improve business confidence

   C. to increase inflationary pressures

   D. to increase consumer choice

8. (w25 qp 13-21) A steel producer changes to electrically powered furnaces to reduce emissions of greenhouse gases. This results in a loss of jobs. Which type of unemployment is caused?

   A. cyclical

   B. frictional

   C. seasonal

   D. technological

9. (s25 qp 12-18) The aggregate demand curve is typically downward sloping. What is one possible explanation for this?

   A. fall in the price level will lead to a rise in demand for imports.

   B. As the price level falls, improved productivity will reduce unit costs.

   C. If the price level is high, any interest rate changes will encourage consumption.

   D. The real value of assets increases as the price level falls.

10. (s25 qp 11-18) An economy's manufacturing share of real GDP fell from 30% in 1990 to 12% in 2023. Which type of unemployment would have resulted from this?

A. cyclical

B. frictional

C. structural

D. voluntary

11. (s25 qp 11-19) Which statement is not correct?

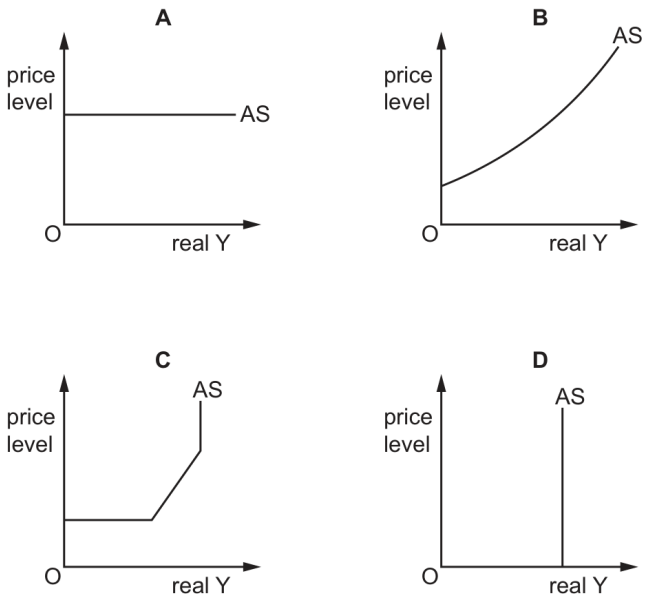
A. The long-run aggregate supply curve can be downward sloping.

B. The long-run aggregate supply curve can be horizontal.

C. The long-run aggregate supply curve can be upward sloping.

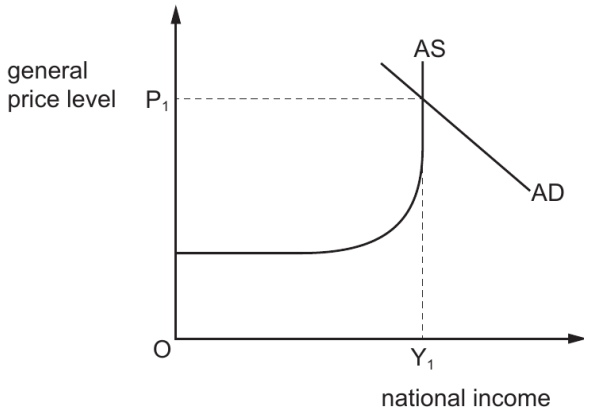
D. The long-run aggregate supply curve can be vertical.

12. (s25 qp 14-19) Long-run aggregate supply (AS) in an economy can be represented diagrammatically in different ways. For which AS curve would a long-term fall in aggregate demand always be likely to result in the level of employment remaining unchanged?



Advanced Practice（培优练习）· 10

1. (w25 qp 12-16) The diagram shows the AD and AS curves for a country. The equilibrium level of national income is Y_1 and the general price level is P_1.



What is the most likely effect on employment and the general price level of a small decrease in government expenditure?

	employment	general price level
A	falls	falls
B	falls	unchanged
C	unchanged	falls
D	unchanged	unchanged

2. (w25 qp 14-16) The diagram shows three groups of people with four possible flows between them.

	export spending ($ million)	import spending ($ million)
A	100	100
B	100	50
C	50	100
D	50	50

Which flow indicates that people have become discouraged from seeking work?

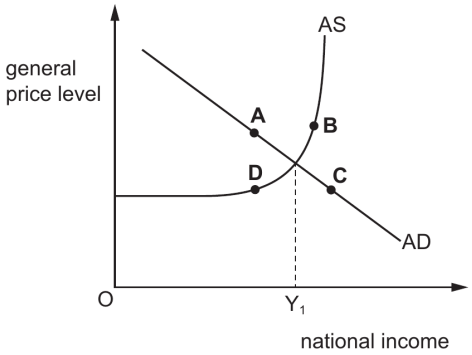
A. flow A

B. flow B

C. flow C

D. flow D

3. (w25 qp 11-21) The diagram shows the AD and AS curves for a low income country. Oil and gas make up 90% of its exports. The initial equilibrium level of national income is Y_1.



What is the most likely new equilibrium point if the worldwide prices of oil and gas rise dramatically?

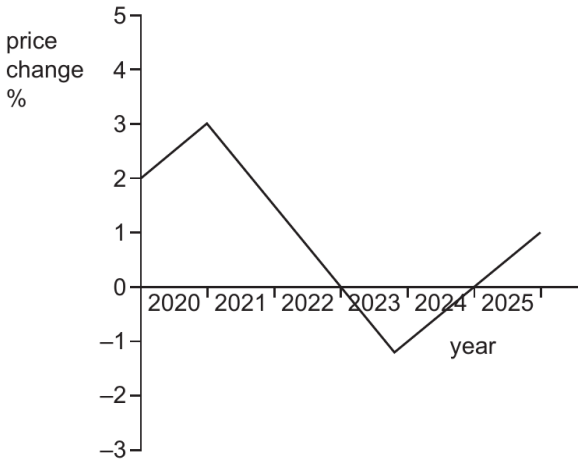
A. point A

B. point B

C. point C

D. point D

4. (w25 qp 13-22) The diagram shows changes in a country's price level over a number of years. During which period of time did only disinflation occur?



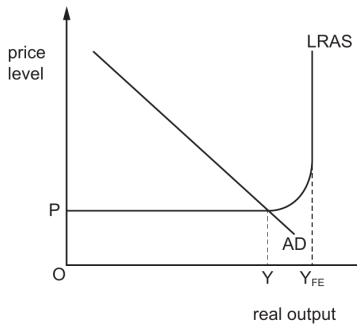
A. from the start of 2020 to the end of 2025

B. from the start of 2021 to the end of 2022

C. from the start of 2021 to the end of 2023

D. from the start of 2023 to the end of 2024

5. (w25 qp 13-24) The diagram shows an economy in equilibrium with a real output of Y and a price level of P. The government aims to raise real output from Y to full employment (YFE) without increasing the price level in the long run. LRAS price level P AD O Y YFE real output Which fiscal policy change is most likely to achieve this aim? Which fiscal policy change is most likely to achieve this aim?



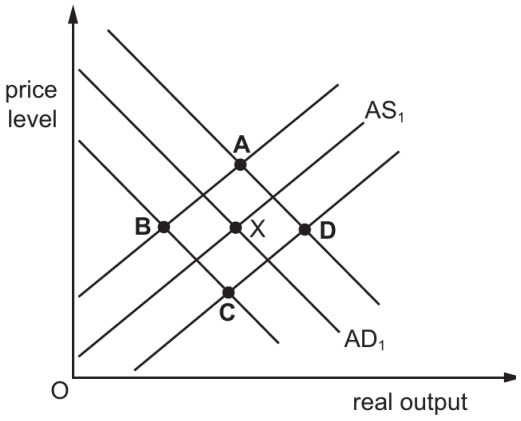
A. decreasing the rate of income tax

B. decreasing spending on education

C. increasing the level of sales tax

D. increasing welfare benefit payments

6. (w25 qp 12-28) Between June and the end of July 2016, the UK pound sterling depreciated by 11% against a basket of currencies of the UK's major trading partners. The diagram shows the original aggregate demand curve AD_1 and the original aggregate supply curve AS_1 for the UK economy before June 2016. The equilibrium is at X.



What would have been the new equilibrium for the UK economy as a result of the depreciation of the pound sterling?

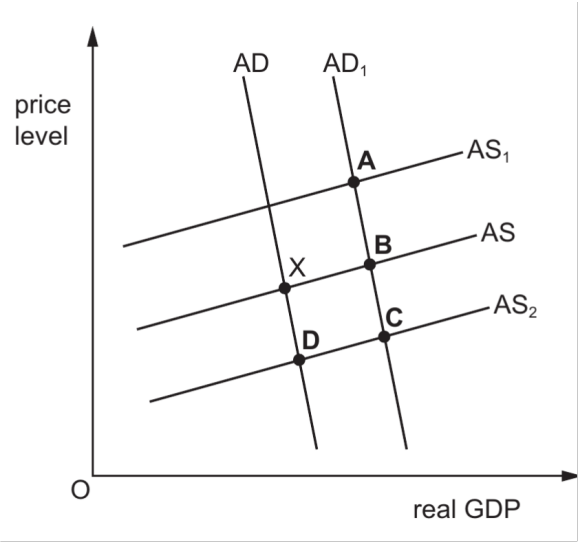
A. point A

B. point B

C. point C

D. point D

7. (s25 qp 12-25) The diagram shows aggregate demand (AD) and aggregate supply (AS) curves. The initial equilibrium is at X. A government decides to invest in an increase in infrastructure. What will be the short-term effect of this policy on the equilibrium? AD AD1 price level What will be the short-term effect of this policy on the equilibrium?



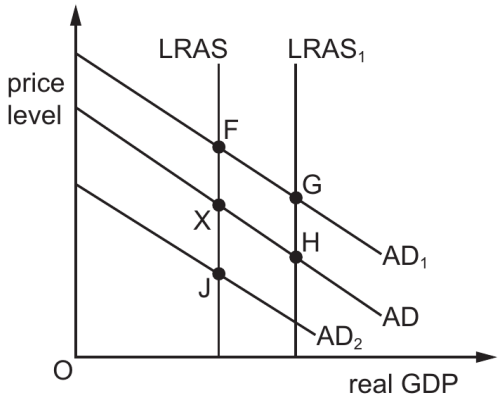
A. AS1

B. AS X

C. AS2

D. O real GDP

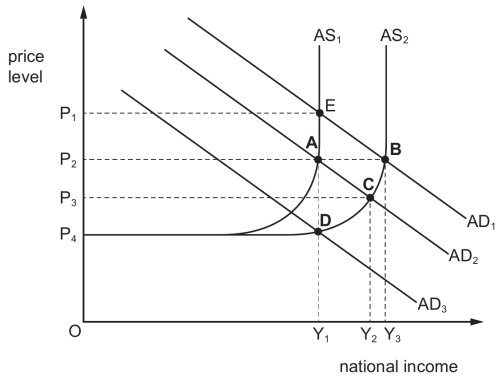
8. (m25 qp 12-18) The diagram shows aggregate demand (AD) and long-run aggregate supply (LRAS) with X as the initial equilibrium.



Which combination of policy and new final equilibrium point is correct?

	policy	new final equilibrium point
A	increased direct taxation	F
B	increased government spending on infrastructure	G
C	appreciation of the exchange rates	H
D	decreased interest rates	J

9. (w24 qp 12-22) An economy is in equilibrium at point E on the diagram. The government reduces its expenditure on defence. Which point on the diagram shows the new equilibrium?



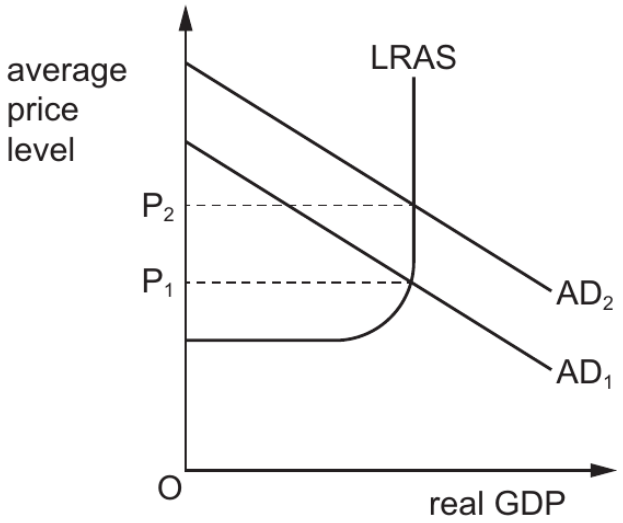
A. point A

B. point B

C. point C

D. point D

10. (s24 qp 13-16) The diagram shows the effect on the average price level when aggregate demand (AD) increases from AD1 to AD2. average LRAS price level P2 P1 AD2 AD1 O real GDP Which statement relating to this change in aggregate demand is correct? Which statement relating to this change in aggregate demand is correct?



A. Nominal GDP has increased.

B. Nominal GDP is unchanged.

C. Real GDP has increased.

D. Real GDP has fallen.

5 Government Macroeconomic Intervention（政府宏观干预）

Macroeconomic objectives (no policy trade-offs required); fiscal policy; monetary policy; supply-side policy and AD/AS.

Rules 规则

- Objectives: price stability, low unemployment, growth. (No policy trade-offs at AS.)
- Deficit: $G > T$ (flow). Surplus: $T > G$. National debt: stock of borrowing.
- art = total tax/total income; mrt = $\Delta T/\Delta Y$. Progressive $\Rightarrow$ mrt $>$ art. Direct vs indirect; current vs capital G.
- Fiscal: $G\uparrow$ / $T\downarrow$ $\Rightarrow$ AD right; opposite $\Rightarrow$ AD left.
- Monetary: interest rate, money supply, credit rules. Lower i / easier credit $\Rightarrow$ AD right.
- Supply-side: training, infrastructure, technology $\Rightarrow$ LRAS right.

Worked Examples 例题

Example 1. A budget deficit means that in that period

A. $T > G$.

B. $G > T$.

C. the national debt is necessarily zero.

D. LRAS has shifted left.

A deficit is a flow: spending exceeds tax revenue. **B**

Example 2. If a tax is progressive, then

A. mrt $<$ art.

B. mrt $>$ art.

C. everyone pays the same amount.

D. the tax must be indirect.

The extra slice of income is taxed more heavily than the average. **B**

入门综合 · 40

1. (w25 qp 11-24) A government reduces its expenditure on workplace training, increases the level of indirect taxes and reduces the rate of interest it pays on government debt. How would these government macroeconomic policies be categorised? (con = contractionary; exp = expansionary)

	supply-side	fiscal	monetary
A	con	con	exp
B	exp	con	con
C	con	exp	exp
D	exp	exp	con

2. (w25 qp 12-24) What is the most likely reason for a government to introduce a progressive tax?

A. to discourage the consumption of a particular good

B. to distribute disposable income more evenly

C. to increase the disposable income of households

D. to reduce demand for healthcare services

3. (s25 qp 11-21) What is not an example of monetary policy?

A. a rise in import tariffs on manufactured goods

B. a rise in interest rates by the central bank

C. a rise in credit regulations

D. a rise in the money supply

4. (s25 qp 11-23) A government uses expansionary monetary policy over a three-year period. Which combination identifies the likely impact of such a policy?

	real GDP	price level	unemployment
A	falling	rising	falling
B	rising	rising	rising
C	rising	rising	falling
D	rising	falling	rising

5. (s25 qp 11-24) What is not an example of an expansionary supply-side policy?

A. a reduction in government spending on training

B. an increase in support for technological improvement

C. a reduction in payments to the unemployed

D. an increase in privatisation of industry

6. (s25 qp 12-21) What is likely to be an expansionary monetary policy?

   A. a decrease in the availability of credit

   B. a decrease in the exchange rate

   C. an increase in government spending

   D. an increase in subsidies for training

7. (s25 qp 12-22) A government increases direct taxation to reduce its budget deficit. How is this likely to affect the government's ability to achieve its macroeconomic objectives?

	economic growth	low inflation	low unemployment
A	less likely	less likely	less likely
B	more likely	less likely	more likely
C	less likely	more likely	less likely
D	more likely	more likely	less likely

8. (s25 qp 12-29) A country is experiencing a deficit on the current account of its balance of payments. Which policy decision could reduce the deficit?

   A. decrease in income tax rates

   B. increase in exchange rates

   C. increase in government spending

   D. increase in import tariffs

9. (s25 qp 13-21) A government wants to operate a tighter monetary policy. What would it increase?

   A. budget surplus

   B. interest rate

   C. money supply

   D. rates of taxation

10. (s25 qp 13-22) Which action is classified as a fiscal policy measure?

    A. fixing a currency to another country's currency

    B. tightening credit regulations on banks

    C. providing guidance to industry and the public

    D. managing changes in the level of government debt

11. (s25 qp 13-23) The table shows government spending and revenue over a three-year period. government government year spending revenue ($bn) ($bn) What can be concluded from the data?

A. budget surplus becomes a budget deficit in year 3.

B. National debt is likely to be falling by the end of year 3.

C. The current account balance is in equilibrium in year 2.

D. The economy is at full employment equilibrium in year 2.

12. (s25 qp 13-24) Which statement about supply-side policies is correct?

A. They solve the problem of demand deficient unemployment.

B. They do not involve an opportunity cost.

C. They reduce unemployment but do not affect the price level.

D. They may reduce regional unemployment.

13. (s25 qp 13-25) A government has a target to reduce the rate of inflation. Why might it not want to raise interest rates to achieve this target?

A. aggregate demand may fall

B. aggregate supply may fall

C. saving may fall

D. the exchange rate may fall

14. (s25 qp 14-20) If a country is suffering from deflation, what would be the best policy to reflate the economy?

A. increase corporation tax

B. increase income tax

C. reduce interest rates

D. reduce spending on education

15. (s25 qp 14-22) What is not a monetary policy measure?

A. credit regulations for banks

B. interest rate changes

C. increased government subsidies

D. money supply changes

16. (s25 qp 14-23) The government has a macroeconomic objective of low unemployment. It has recently decreased interest rates. What may limit the effectiveness of this tool in achieving the objective of low unemployment?

A. a lack of productive capacity

B. excess demand in the economy

C. increased government spending on infrastructure

D. low levels of welfare benefits

17. (s25 qp 14-28) A government believes its current account deficit will be beneficial in the long run. What is the most likely reason for this?

A. Immigration has increased.

B. It imports capital goods.

C. It exports raw materials.

D. It reduces unemployment.

18. (m25 qp 12-16) Governments may have price stability as a macroeconomic objective. What is meant by price stability?

A. All equilibrium prices are maintained in the long run.

B. Demand-pull inflation cancels out any cost-push inflation.

C. Only disinflation is present in the economy in the long run.

D. Prolonged periods of inflation and deflation are avoided.

19. (m25 qp 12-24) A government decides to use supply-side policy to increase long-run aggregate supply (LRAS). What is the most likely reason why this policy tool will not lead to a fall in the price level?

A. Aggregate demand will also increase.

B. Labour productivity levels will increase.

C. Workers will save any extra wages they earn.

D. Workers will spend any extra wages on imports.

20. (m25 qp 12-25) What defines a progressive tax?

A. All taxpayers pay the same proportion of income in taxes.

B. Low-income earners pay a lower proportion of income in taxes than high-income earners.

C. Low-income earners pay less in taxes than high-income earners.

D. Low-income earners pay more in taxes than high-income earners.

21. (w24 qp 11-21) Which supply-side policy is most likely to decrease a government's budget deficit?

A. cutting tax rates on company profits

B. cutting unemployment benefits

C. raising spending on education and training

D. raising tax-free income tax allowances

22. (w24 qp 12-21) Which supply-side policy is likely to lower real output before raising it?

A. increased spending on early years education

B. increased spending on infrastructure

C. reduced import barriers

D. subsidies to exporters

23. (w24 qp 13-21) Supply-side policy often has fiscal consequences. Which statement is not correct?

A. Increased government spending supporting technical progress has beneficial long-term supply-side effects but may have short-term inflationary consequences.

B. Increased government expenditure on training increases a country's long-run aggregate supply (LRAS) and also has an expansionary effect on aggregate demand (AD).

C. Reduced government infrastructure spending reduces an economy's LRAS and has a short-term expansionary effect on AD.

D. Reduced rates of tax on higher incomes increases an economy's LRAS and has an

24. (w24 qp 13-23) What does it mean when a government has a budget surplus?

A. Government revenue exceeds expenditure.

B. Imports exceed exports.

C. The government has an expansionary fiscal policy.

D. The national debt is increasing.

25. (s24 qp 11-21) Which statement about government budget surpluses and deficits is the most accurate?

A. surplus implies that the balance of payments is in surplus.

B. A surplus implies that the government is spending too much money.

C. A deficit implies that the economy is in decline.

D. A deficit implies that the national debt is increasing.

26. (s24 qp 11-22) What is most likely to decrease if a government uses expansionary fiscal policy?

A. a balance of payments deficit

B. cyclical unemployment

C. the level of wages

D. the rate of inflation

27. (s24 qp 13-21) Which macroeconomic objective is most likely to be achieved by increasing income tax?

A. depreciation of the exchange rate

B. economic growth

C. low unemployment

D. price stability

28. (s24 qp 13-22) What is not a supply-side policy?

A. increasing government expenditure on infrastructure

B. increasing research and development expenditure

C. increasing subsidies for education and training

D. increasing the supply of money

29. (s24 qp 13-24) The demand for a country's exports is price elastic. If it is experiencing a deficit on the current account of its balance of payments, which combination of policies is most likely to correct the deficit?

	rate of interest	exchange rate	standard rate of income tax
A	decrease	appreciate	keep unchanged
B	decrease	depreciate	decrease
C	increase	keep unchanged	decrease
D	keep unchanged	depreciate	increase

30. (m24 qp 12-20) A government has a balanced budget. It decides to increase its spending by 10%. Which increase in government revenue would produce a budget surplus?

A. –10%

B. 0%

C. +10%

D. +20%

31. (m24 qp 12-23) What can be considered an expansionary supply-side policy?

A. an increase in government expenditure on training

B. an increase in sales tax

C. an increase in the rate of interest

D. an increase of the exchange rate

32. (w23 qp 12-26) Which supply-side measure is most likely to produce short-run growth in a country's aggregate supply?

A. easing of controls on immigration of workers

B. expenditure on primary education

C. expenditure on research and development

D. privatisation of public utilities

33. (w23 qp 13-29) A government aims to reduce unemployment through expansionary fiscal policy and borrows more from the commercial banks, increasing its borrowing requirement. What will be the result?

A. a decrease in the budget deficit

B. a decrease in the national debt

C. an increase in the balance of payments deficit on the current account

D. an increase in the interest rates

34. (s23 qp 11-28) What is the equivalent of a country's national debt?

A. the accumulated borrowing of the government

B. the difference between government spending and taxation

C. the interest paid by the government on all the money it owes

D. the total money owed by all households in the country

35. (s23 qp 12-28) A government wishes to reduce the deficit on the secondary income section of its current account. Which policy would be most effective?

A. an increase in subsidies to exporters

B. an increase in the tariffs on imports

C. a reduction in the number of migrant workers allowed into the country

D. a reduction in overseas aid donations

36. (s23 qp 13-19) Which policy is most likely to help to correct an adverse balance on the current account of the balance of payments?

A. abolishing tariffs

B. depreciating the currency

C. reducing direct taxes

D. reducing indirect taxes

37. (s23 qp 13-24) Which government action is least likely to prevent a fall in economic growth?

A. additional controls on commercial banks' lending

B. relaxation of rules for immigration of adult population

C. removal of trade barriers on import of raw materials

D. training and education of workforce

38. (s23 qp 13-27) A country had a current account surplus of $141bn. Which policy may its government implement to reduce this surplus in the short run?

A. a decrease in direct taxes

B. a decrease in regulations to encourage more foreign firms to locate in this country

C. an increase of import duties

D. an increase in interest rates

39. (m23 qp 12-15) A government is faced with rising inflation. It wishes to reduce inflationary pressure while avoiding a fall in output. Which action is most likely to meet its needs?

A. an increase in laws to promote competition

B. an increase in taxation

C. an increase in the budget surplus

D. an increase in the exchange rate

40. (m23 qp 12-28) What is least likely to rise as a result of the use of expansionary fiscal policy?

A. aggregate demand

B. budget surplus

C. nominal income

D. inflation

Further Practice（进阶练习）· 12

1. (w25 qp 14-18) An open economy with a government is in equilibrium at a national income of $900 million. Households spend $700 million and save $50 million. Firms spend $100 million on investment. The government spends $150 million and has a balanced budget. How much is spent on exports and imports?

	export spending ($ million)	import spending ($ million)
A	100	100
B	100	50
C	50	100
D	50	50

2. (w25 qp 12-18) A government reduces the benefits that it pays to unemployed workers to increase the incentive to work. Which types of macroeconomic policies are being used?

	fiscal policy	monetary policy	supply-side policy
A	✓	×	×
B	✓	✓	×
C	✓	×	✓
D	×	×	✓

3. (w25 qp 12-19) A central bank is asked by the government to help achieve price stability. If inflation rises steeply, which policy will not be directly within the control of the central bank?

A. increasing the rate of interest to reduce consumer spending

B. managing a reduction of the money supply

C. using credit restrictions to regulate lending by commercial banks to households

D. restricting wage increases in the private and public sectors

4. (w25 qp 11-19) What is an example of fiscal policy aimed at increasing aggregate demand in an economy?

A. increasing expenditure by firms on skills training programmes for unskilled workers

B. increasing the commercial banks' lending ability

C. reducing the rate of income tax for all income earners

D. reducing the rate of interest on loans to manufacturing companies

5. (w25 qp 12-21) What is an example of expansionary monetary policy?

A. the central bank increasing the money supply

B. the central bank causing an appreciation of the country's foreign exchange rate

C. the central bank increasing controls on credit lending

D. the central bank increasing the minimum lending rate of interest

6. (w25 qp 11-22) What is not a government macroeconomic policy objective?

A. economic growth

B. income equality

C. low unemployment

D. price stability

7. (w25 qp 12-22) What is the effect of an increase in the money supply on the interest rate and the aggregate demand (AD) curve?

	interest rate	AD curve
A	falls	shifts left
B	rises	shifts left
C	falls	shifts right
D	rises	shifts right

8. (w25 qp 14-22) An economy has both increasing imported raw material prices and demand-pull inflation. Which combination of policies is most likely to help its government achieve its macroeconomic objective of price stability?

	budget deficit	exchange rate	rate of interest
A	decreases	depreciates	decreases
B	decreases	appreciates	increases
C	increases	depreciates	decreases
D	increases	appreciates	increases

9. (w25 qp 11-23) A central bank increases interest rates to reduce inflation. When will this policy be most likely to succeed?

A. When household spending is inelastic in response to interest rate changes.

B. When the country has a floating exchange rate that appreciates.

C. When the government has an increasing budget deficit.

D. When trade unions demand higher wages to protect the living standards of their members.

10. (w25 qp 13-23) A government increases the basic rate of income tax to finance additional spending on apprenticeships and training. Which types of macroeconomic policy are being used?

	monetary policy	supply-side policy	fiscal policy
A	✓	✓	✓
B	✓	✓	×
C	✓	×	✓
D	×	✓	✓

11. (w25 qp 12-23) A country has a target rate of inflation of 2.5% and has recently experienced the actual rate rising to 6%, with unemployment falling to very low levels. Which policy option is most likely to be implemented?

A. an increase in government expenditure on training

B. an increase in indirect taxes on demerit goods

C. an increase in import tariffs

D. an increase in interest rates

12. (w25 qp 14-23) What is an example of a supply-side policy?

A. an import quota to restrict the supply of goods

B. a rise in interest rates to encourage the supply of savings

C. a specific tax on the supply of goods to raise revenue

D. a subsidy to businesses to promote the supply of training courses

Advanced Practice（培优练习）· 10

1. (w25 qp 12-17) The diagram shows aggregate demand and aggregate supply curves for an economy. general AS price level AD AD1 O national output What would cause a change in the aggregate demand from AD to AD1? What would cause a change in the aggregate demand from AD to AD_1?

	fiscal policy	monetary policy	supply-side policy
A	✓	✗	✗
B	✓	✓	✗
C	✓	✗	✓
D	✗	✗	✓

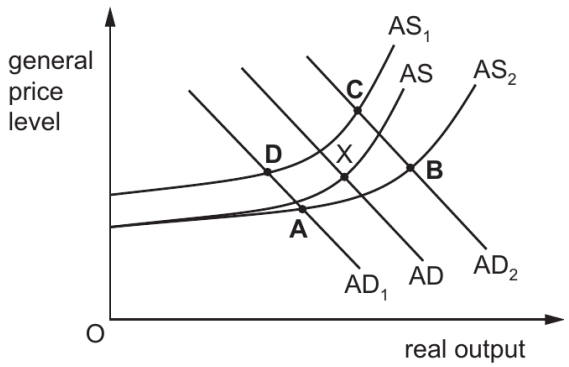
A. government campaigns to encourage household savings

B. consumption of domestic instead of foreign goods

C. a decrease in the budget surplus

D. investment in knowledge-based enterprises

2. (s25 qp 13-18) The diagram shows aggregate demand (AD) and aggregate supply (AS) where the initial equilibrium is at point X. The central bank forecasts a rise in raw material costs. The government plans to increase spending on health.



What would be the new equilibrium in the short run if the forecasts prove to be accurate and the government plans are implemented?

A. point A

B. point B

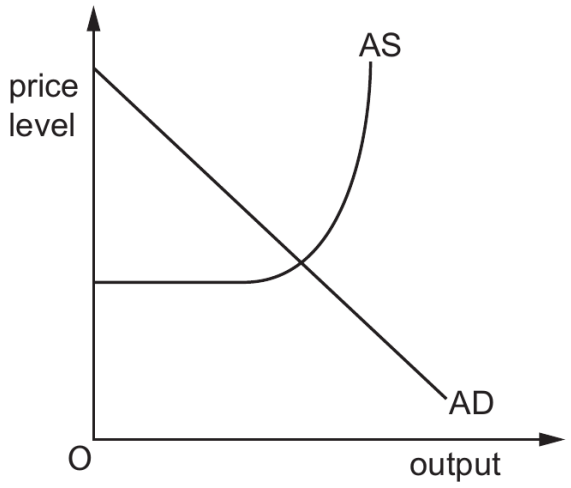
C. point C

D. point D

3. (w24 qp 11-23) The central bank of a country raises interest rates to reduce the general price level. When is this policy likely to have the biggest impact?

	position of the economy on its production possibility curve (PPC) diagram	responsiveness of aggregate demand to interest rate changes
A	below the PPC	high
B	below the PPC	low
C	on the PPC	high
D	on the PPC	low

4. (s23 qp 12-27) The diagram shows the current equilibrium of an economy. The government introduces a contractionary monetary policy. What is the most likely outcome?



A. a fall in investment and a fall in inflation

B. a fall in investment and a rise in inflation

C. a rise in investment and a fall in inflation

D. a rise in investment and a rise in inflation

5. (w25 qp 11-25) The government of a country reduces its budget deficit by cutting government spending. At the same time, the central bank raises the interest rates. When might this combination of policies be used?

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

6. (w25 qp 14-25) An increase in interest rates is an example of which type of policy?

   A. contractionary fiscal policy

   B. contractionary monetary policy

   C. expansionary monetary policy

   D. restrictive supply-side policy

7. (w25 qp 13-25) A government reduced the tax on company profits from 28% to 20%. Which statement best describes this policy?

   A. It is both a contractionary fiscal policy and a supply-side policy.

   B. It is both an expansionary fiscal policy and a supply-side policy.

   C. It is both an expansionary fiscal policy and an expansionary monetary policy.

   D. It is both an expansionary monetary policy and a supply-side policy.

8. (w25 qp 13-26) Which policy is most likely to have a contractionary effect on national income?

   A. a reduction in income tax rates

   B. a reduction in interest rates

   C. an appreciation in the exchange rate

   D. an increase in government spending on transport infrastructure

9. (w25 qp 12-29) What is the effect of a cut in a country's income tax rates on its exports and imports?

	exports	imports
A	fall	fall
B	fall	unchanged
C	unchanged	fall
D	unchanged	rise

10. (w25 qp 11-30) A country has a current account deficit on its balance of payments. The government also has a budget deficit. Which measure to reduce the current account deficit will increase the budget deficit?

    A. depreciating the exchange rate

    B. introducing quotas on imports

    C. raising tariffs on imports

    D. subsidising exports

6 International Economic Issues（国际经济问题）

Absolute and comparative advantage; terms of trade; protectionism; the current account; floating exchange rates; policies to correct a current-account imbalance.

Rules 规则

- AA: more output, same resources. CA: lower opportunity cost. Specialise in CA.
- ToT $= \dfrac{\text{export-price index}}{\text{import-price index}} \times 100$.
- Protection: tariff, quota, export subsidy, embargo, red tape.
- CA = goods + services + primary income + secondary income. Deficit: debits > credits.
- Floating ER: D and S of the currency. Depreciation $\Rightarrow$ AD right; appreciation $\Rightarrow$ AD left.
- Correct a CA deficit: contractionary fiscal / monetary; supply-side; protectionism.

Worked Examples 例题

Example 1. Comparative advantage is based on

A. who can produce more of every good.

B. lower opportunity cost.

C. a higher tariff.

D. a current-account surplus.

CA is about opportunity cost, not volume. **B**

Example 2. A depreciation of a floating exchange rate tends to

A. shift AD to the left.

B. shift AD to the right, via higher net exports.

C. shift LRAS to the left by definition.

D. leave $(X - M)$ unchanged.

Cheaper X, dearer $M \Rightarrow$ AD right. **B**

入门综合 · 40

1. (w25 qp 11-28) What is not a limitation of the theory of comparative advantage?

   A. the movement of factors of production between countries

   B. governments' imposition of trade restrictions

   C. one country being more efficient in the production of all goods

   D. transport costs outweighing any comparative advantage

2. (w25 qp 11-29) What would not be included in the current account of the balance of payments?

   A. income earned outside the country that is transferred into the country

   B. value of food and raw materials produced and consumed within the country

   C. value of food and raw materials that are exported

   D. value of telecommunications services that are imported

3. (w25 qp 13-28) What is meant by comparative advantage?

   A. One country can produce a product at a lower opportunity cost than another country.

   B. One country can produce more of a product than another country, using a given level of resources.

   C. One country has lower barriers to trade than another country.

   D. One country is making more efficient use of factors of production than another country.

4. (w25 qp 13-30) The main export of country X is oil. The world demand for oil is price inelastic. The world supply of oil is reduced by the major oil producing countries, including country X. Imports into country X are unchanged. What are the effects of this action by the major oil producing countries on the terms of trade and the current account of the balance of payments in country X?

	terms of trade	current account
A	increases	increases
B	increases	decreases
C	decreases	increases
D	decreases	decreases

5. (w25 qp 14-28) Which explanation for a country choosing to engage in international trade is not valid?

   A. Engaging in international trade enables the country to achieve a higher average standard of living.

   B. Other countries are more efficient at producing some goods.

   C. There are some products that the country cannot produce.

   D. The country has a comparative advantage in the production of all of its goods compared to other D countries. countries.

6. (w25 qp 14-29) In which economic context is the term 'protectionism' usually applied?

   A. the protection of consumers against excessive prices

   B. the protection of employees against exploitation by multinational companies

   C. the protection of local producers against international competitors

   D. the protection of the foreign exchange rate against currency speculators

7. (w25 qp 14-30) Both the US and the EU operate in floating exchange rate markets. The rate of exchange fluctuated greatly during the period shown. US dollar–euro year rate of exchange 2000 0.84 dollars per euro 2008 1.59 dollars per euro 2022 1.00 dollar per euro What would explain the changes in the US dollar–euro rate of exchange?

   A. changes in the supply and demand for dollars and euros in the foreign exchange market

   B. continuous appreciation of the US dollar throughout the period

   C. continuous depreciation of the US dollar throughout the period

   D. restraints placed by trade agreements on the rate of exchange

8. (s25 qp 11-26) Why does the value of a country's terms of trade have no monetary units?

   A. It cannot be calculated accurately enough.

   B. It includes more than one currency.

   C. It is a ratio of two index numbers.

   D. It measures change over time.

9. (s25 qp 11-27) Which statement correctly describes a tariff?

   A. It is a complete ban on imports.

   B. It is a minimum price for domestic producers.

   C. It is a payment to exporters.

   D. It is a tax imposed on imports.

10. (s25 qp 11-28) A country has a persistent deficit on the current account of its balance of payments. What is most likely to improve the situation in the long run?

A. a lowering of the level of import duties

B. a reduction in the level of income tax

C. the introduction of expansionary monetary policy

D. the use of grants to encourage new investment by firms

11. (s25 qp 11-29) Primary income and secondary income are components of the current account of the balance of payments. Which option correctly identifies an example of primary income and secondary income? primary income secondary income

A. government transfers income from profits earned abroad

B. income from profits earned abroad dividends earned on foreign shares

C. income from profits earned abroad government transfers

D. workers' remittances income from profits earned abroad

12. (s25 qp 12-26) Which statement is not a valid reason why a country may impose protectionist measures?

A. to allow a newly developed domestic industry to grow to a viable size

B. to enable a country to retain control of an industry it regards as being of strategic importance

C. to give consumers a wider choice of goods and services

D. to give time for workers in a declining domestic industry to find alternative employment

13. (s25 qp 12-27) What is most likely to lead to a persistent surplus in a country's current account of its balance of payments?

A. a low domestic savings rate

B. an undervalued exchange rate

C. highly protectionist policies by other countries

D. low investment income from abroad

14. (s25 qp 12-28) Which formula is used to calculate the terms of trade?

A. the average price of exports divided by the average price of imports

B. the average price of imports divided by the average price of exports

C. the value of exports divided by the value of imports

D. the value of imports divided by the value of exports

15. (s25 qp 13-27) A country has a deficit on the current account of the balance of payments. What would be expected to increase the deficit?

A. an appreciation of the exchange rate

B. an increase in domestic productivity

C. an introduction of import quotas

D. a rise in subsidies to domestic firms

16. (s25 qp 13-28) A government increases the import quota of cars. What is the likely effect of this?

A. jobs will be created in the domestic car industry

B. prices of cars will fall for domestic consumers

C. specialisation is reduced

D. trading partners will retaliate

17. (s25 qp 13-29) The table gives the terms of trade index for a country over three years. year 1 year 2 year 3 terms of trade 100 105 112 What is the most likely impact of this change?

A. there will be a decrease in cost-push inflation

B. there will be a decrease in living standards

C. there will be an increase in the budget surplus

D. there will be an increase in the volume of exports

18. (s25 qp 13-30) Country X and country Y use the same amount of resources to produce mobile phones and televisions. The table shows how much of each product can be produced if all resources are used to produce that product. mobile phones televisions country X 500 400 country Y 100 200 What can be deduced about absolute advantage and comparative advantage? Country X has an absolute advantage in producing mobile phones and a comparative advantage

	mobile phones	televisions
country X	500	400
country Y	100	200

A. in producing televisions. Country X has an absolute advantage in producing televisions and a comparative advantage in

B. producing mobile phones. Country Y has an absolute advantage in producing mobile phones and a comparative advantage

C. in producing televisions. Country Y has an absolute advantage in producing televisions and a comparative advantage in

D. producing mobile phones.

19. (s25 qp 14-27) An Australian family purchases a holiday to New Zealand and an Australian mining company sells coal to China. Four students, A, B, C and D, are asked where these transactions appear in the current account of Australia's balance of payments. Which student is correct?

	holiday to New Zealand	coal to China
A	service export	good export
B	service export	good import
C	service import	good export
D	service import	good import

20. (s25 qp 14-29) A country has a freely floating exchange rate. In which circumstance is it most likely to appreciate?

A. competitor trading country experiences a fall in the value of its currency.

B. Increased administrative burdens are placed on companies within this country wishing to buy imports.

C. There is a fall in demand for its exports.

D. There is a fall in the level of its rate of interest.

21. (s25 qp 14-30) A country has a current account deficit. What would be classified as a protectionist measure to restore the current account to equilibrium?

A. allow the exchange rate to appreciate

B. increase income tax

C. increase import tariffs

D. increase the rate of interest

22. (m25 qp 12-20) High economic growth is often accompanied by a worsening of the current account of the balance of payments. Which reason for this trend is not valid?

A. Economic growth raises domestic consumption, leaving very little to sell to overseas consumers.

B. Economic growth raises domestic output, leading to lower prices and more price-competitive goods both at home and abroad.

C. Economic growth raises incomes and leads to rising demand for foreign goods.

D. Economic growth results in rising requirements of inputs from other countries.

23. (m25 qp 12-26) Country X trades with country Y. What are the terms of trade for country X?

A. average price of country X's exports divided by the average price of country Y's exports

B. the ratio of an index of country X's export prices to an index of its import prices

C. value of country X's exports divided by the value of country Y's exports

D. value of country X's imports divided by the value of country Y's imports

24. (m25 qp 12-27) When is a country's exchange rate most likely to fall?

A. When its current account surplus exceeds that of its trading partners.

B. When its inflation rate exceeds that of its trading partners.

C. When its interest rate exceeds that of its trading partners.

D. When its unemployment rate exceeds that of its trading partners.

25. (m25 qp 12-28) A country experiences a rising trade deficit and a current account surplus at the same time. Which combination of events might explain this?

A. Event 1: a global recession resulting in decreased prices of commodities; Event 2: Gross National Income (GNI) rises faster than Gross Domestic Product (GDP)

B. Event 1: increased subsidies for exporters; Event 2: increased donations received from abroad to combat a humanitarian crisis

C. Event 1: removal of restrictions on imports; Event 2: removal of restrictions on the remittance of profits of foreign-owned producers

D. Event 1: rising imports of machinery to help raise exports in the future; Event 2: increased secondary income from workers' remittances from abroad

26. (w24 qp 11-24) The table shows the trade in goods and services for an economy between 2019 and 2021. trade in goods year and services ($ millions) 2019 –1000 2020 –3000 2021 –4000 What would have most likely caused the change from 2019 to 2021?

A. increasing domestic unemployment

B. increasing domestic rate of income tax

C. increasing domestic inflation

D. increasing import tariffs

27. (w24 qp 11-25) A government subsidises training to improve the skills of workers in the industrial sector of an economy. What is the most likely effect on the current account of the balance of payments?

A. exports fall

B. exports rise

C. imports fall

D. imports rise

28. (w24 qp 11-26) Using all their resources efficiently, country X can produce 6 million tonnes of wheat or 2 million tonnes of steel whilst country Y can produce 4 million tonnes of wheat or 1 million tonnes of steel. Based on this information, what does the theory of comparative advantage suggest?

A. Country X should produce only steel.

B. Country X will not gain from international trade.

C. Country Y has no comparative advantage.

D. Country Y will not gain from international trade.

29. (w24 qp 11-27) Countries X and Y are trade partners. An increase in which economic indicator in country Y is most likely to cause a fall in the exchange rate of country X?

A. economic growth

B. inflation rate

C. money supply

D. trade barriers

30. (w24 qp 11-30) In which situation will a country's terms of trade improve?

A. Its imports rise in value less than its exports.

B. Its imports rise in volume less than its exports.

C. The price of its imports rises by less than the prices of its exports.

D. The value of its external payments rises by less than the value of its external receipts.

31. (w24 qp 12-24) Which circumstances would most help a firm to gain from a depreciation of the exchange rate?

A. It sells mainly abroad and relies on domestic suppliers for inputs.

B. It sells mainly abroad and relies on foreign suppliers for inputs.

C. It sells mainly in its home market and relies on domestic suppliers for inputs.

D. It sells mainly in its home market and relies on foreign suppliers for inputs.

32. (w24 qp 12-25) A country has a floating exchange rate. Its current account on the balance of payments moves from a surplus to a deficit. Which rate is likely to increase in the short run as a consequence of this worsening of its current account?

A. economic growth rate

B. exchange rate

C. interest rate

D. unemployment rate

33. (w24 qp 12-27) The table shows the average price of exports and imports. Which combination of changes in export prices and import prices could result in a country's terms of trade increasing from 100 to 110? the average price the average price of exports of imports

A. falls by 5% rises by 5%

B. remains unchanged rises by 10%

C. rises by 5% falls by 5%

D. rises by 10% remains unchanged

34. (w24 qp 12-28) What is not an example of protectionism?

A. the European Union (EU) requiring goods imported into member states to meet safety standards

B. the Pakistan government increasing the rate of goods and services tax (GST) on some exported goods from 2% to 5%

C. the Nigeria government banning the import of packaged sugar

D. the US imposing a 35% tariff on tyres imported from China

35. (w24 qp 13-25) What is not a valid explanation of why a government might allow a deficit on the balance of payments current account to continue?

A. The balance of payments account must always balance.

B. Foreign direct investment might help to finance the deficit.

C. The country may have a larger surplus on the other parts of its balance of payments account.

D. The standard of living is increased if the level of cheap food imports is significant.

36. (w24 qp 13-26) A country currently producing at point X on its production possibility curve decides to specialise in the manufacture of cars and import trucks. It finds it can import one truck in exchange for four cars. 2000 trucks X 1000 cars What is the result in the domestic market if it exports all the extra cars?

A. 250 extra trucks

B. 1000 extra trucks

C. 1250 extra trucks

D. 2000 extra trucks

37. (w24 qp 13-29) When is there an improvement in a country's terms of trade?

A. when the price of exports falls more than the price of imports

B. when there is no change in the price of exports but a fall in the price of imports

C. when the value of exports increases relative to the total value of imports

D. when the volume of exports increases relative to the total volume of imports

38. (s24 qp 13-29) Economists suggest that multilateral trade between many countries is preferable to bilateral trade between two countries. Why is this?

A. Bilateral trade means that trade diversion is always greater than trade creation.

B. Bilateral trade misses the benefit of trade with third countries.

C. Gains from bilateral trade are less than the harm done to third countries.

D. Gains from comparative advantage cannot apply in the case of bilateral trade.

39. (w23 qp 12-19) Country X can produce a product at a lower opportunity cost than country Y. Which term best describes this statement?

A. absolute advantage

B. comparative advantage

C. specialisation

D. terms of trade

40. (s23 qp 11-15) Which statement correctly describes absolute advantage?

A. It is when a country has a higher opportunity cost in producing a good than another country.

B. It is when a country has a lower wage cost in producing a good than another country.

C. It is when the relative prices of exports of a country are greater than the relative prices of its imports.

D. It is when a country's output of a good is greater per unit of resource than another country.

Further Practice（进阶练习）· 12

1. (w25 qp 12-25) What is the least likely consequence of rapid economic growth?

   A. high levels of pollution

   B. large deficit on the current account of the balance of payments

   C. large deficit in the government's budget balance

   D. more congestion on the roads

2. (w25 qp 11-26) A country's currency depreciates in terms of other currencies. What would be a consequence of this depreciation?

   A. There would be a decrease in structural unemployment.

   B. There would be a decrease in the volume of exports.

   C. There would be an increase in cost-push inflationary pressure.

   D. There would be an increase in the budget deficit.

3. (w25 qp 14-26) For which government measure would both the outcomes shown be likely to benefit its economy? government measure outcome 1 outcome 2

   A. embargoes protect against import of encourage illegal trade harmful materials and corruption

   B. export subsidies give home producers a are a drain on cost advantage government expenditure

   C. import quotas restrict volume of reduce balance of expensive imports payments deficit

   D. tariffs protect some jobs by cause unemployment

4. (w25 qp 12-26) A country with a floating exchange rate has a large deficit on the current account of the balance of payments. What is most likely to decrease as a consequence of this deficit?

   A. competitiveness of the country's products

   B. level of employment in the country

   C. prices of exports from the country

   D. rate of inflation in the country

5. (w25 qp 13-27) What is an example of primary income in the current account of the balance of payments of Pakistan?

   A. dividends received by a Pakistani resident from shares in a domestic firm

   B. profits of Pakistani businesses exporting goods

   C. rent received by a Pakistani resident from a property in another country

   D. salary received by a Pakistani engineer from a foreign-owned producer operating in Pakistan

6. (w25 qp 12-27) What will definitely lead to an improvement in the terms of trade?

   A. Export prices fall whilst import prices rise.

   B. Export prices rise by the same amount as import prices.

   C. Export prices rise slower than import prices.

   D. Export prices rise whilst import prices stay the same.

7. (w25 qp 14-27) The table shows the terms of trade for an economy expressed as an index number for the period 2019 to 2021. terms of year trade index (2018 = 100) What can be concluded from the table?

   A. The quantity of imports rose relative to the quantity of exports.

   B. The price of exports rose relative to the price of imports.

   C. The price of imports rose relative to the price of exports.

   D. The value of exports rose relative to the value of imports.

8. (w25 qp 11-27) The terms of trade of a developing country fell from 90 in 2010 to 80 in 2015. Assuming the index of its import prices remained constant at 110 between these two years, what happened to its index of export prices?

   A. fell by 10

   B. fell by 11

   C. increased by 10

   D. increased by 30

9. (s25 qp 13-20) What is the most likely consequence of economic growth?

   A. a fall in the price of raw materials

   B. a rise in youth unemployment

   C. a worsening current account balance

   D. reduced demand-pull inflationary pressures

10. (s25 qp 14-24) The table shows the ability of two countries, P and Q, to produce two goods, Y and Z. production of good Y production of good Z per person per person country P 1000 1600 country Q 1500 2000 Which statement is correct?

A. P has an absolute advantage in Z and Q has a comparative advantage in Y.

B. P has an absolute advantage in Z and Q has an absolute advantage in Y.

C. P has a comparative advantage in Y and Q has an absolute advantage in Z.

D. P has a comparative advantage in Z and Q has an absolute advantage in Y.

11. (s25 qp 14-25) A trading country can produce two goods, X and Y. It specialises completely in the production of good Y. What will be the opportunity cost to the country of consuming additional imports of good X?

A. the additional imports of good X

B. the increase in the resources required to produce good X

C. the reduction in the domestic consumption of good Y

D. the reduction in the resources available to produce good Y

12. (s25 qp 14-26) What are the terms of trade?

A. the difference in value between a country's exports and imports

B. the rate at which one currency can be exchanged for another

C. the rate at which tariffs can legally be applied to exports and imports

D. the ratio of average export prices to average import prices

Advanced Practice（培优练习）· 10

1. (w25 qp 13-29) An economy specialises in the production of one product. It exports this product to obtain another product. Which type of diagram can show the combinations of these products?

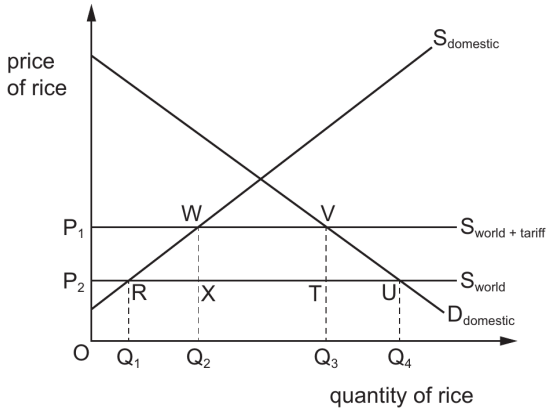
A. the production possibility curve

B. the aggregate demand curve

C. the principle of absolute advantage

D. the trading possibility curve

2. (w25 qp 12-30) The diagram shows the effect of a government removing the tariff on imports of rice into its country. Sdomestic price of rice W V P1 Sworld + tariff P2 Sworld R X T U Ddomestic O Q1 Q2 Q3 Q4 quantity of rice How would the removal of this tariff affect the consumer surplus and the government's revenue? consumer surplus government revenue



A. increases by VUT decreases by WVTX

B. increases by VUT decreases by WVQ3Q2

C. increases by P1VUP2 decreases by WVTX

D. increases by P1VUP2 decreases by WVQ3Q2

3. (s25 qp 14-18) The diagram shows an economy' s aggregate demand curve. price L level M DO NOT WRITE IN THIS MARGIN AD O output What explains the downward movement from L to M along the AD curve?

investment ($ million)	exports ($ million)	government expenditure ($ million)	savings ($ million)	imports ($ million)	taxation ($ million)	national income ($ million)
200	100	50	125	62.5	62.5	600
200	100	50	150	75	75	700
200	100	50	175	87.5	87.5	800
200	100	50	200	100	100	900

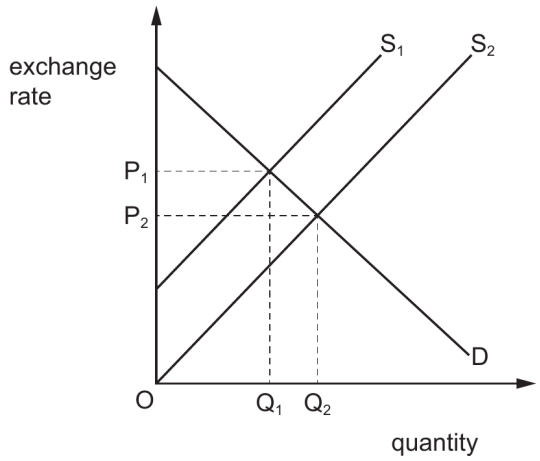
A. an increase in tariffs leading to decreased imports

B. a decrease in taxes on firms, causing an increase in short-run aggregate supply

C. an increase in consumer confidence, prompting higher spending on local goods as well as DO NOT WRITE IN THIS MARGIN imports

D. a slow-down in economic activity, resulting in decreased investment spending ĬÚú¾Ġ´íÈõĬĪÅĊàú¶þ×

4. (s25 qp 12-30) The Euro (€) is the main currency of the European Union. The diagram shows the exchange rate between the Euro and the US dollar. S1 S2 exchange rate P1 P2 D O Q1 Q2 quantity What is likely to have caused this change in the value of the Euro?



A. a decrease in European Union inflation

B. a decrease in US interest rates

C. an increase in European Union imports

D. an increase in European Union unemployment

5. (m25 qp 12-29) The diagram shows the production possibilities for barley and wheat in countries Q and R.

	Event 1	Event 2
A	a global recession resulting in decreased prices of commodities	Gross National Income (GNI) rises faster than Gross Domestic Product (GDP)
B	increased subsidies for exporters	increased donations received from abroad to combat a humanitarian crisis
C	removal of restrictions on imports	removal of restrictions on the remittance of profits of foreign-owned producers
D	rising imports of machinery to help raise exports in the future	increased secondary income from workers' remittances from abroad

What can be concluded?

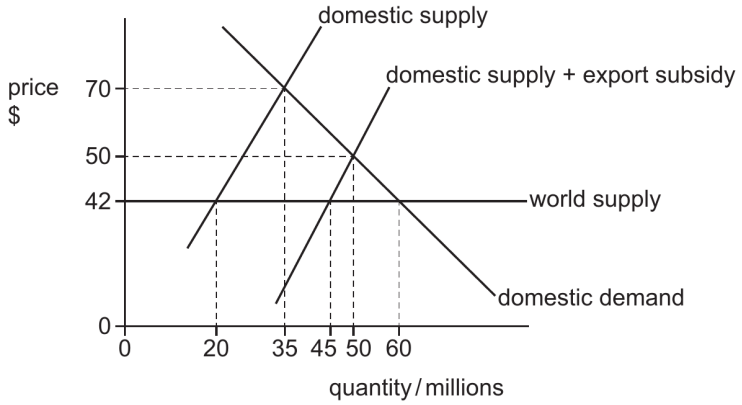
A. Country Q has a comparative advantage in the production of barley.

B. Country Q has an absolute advantage in producing both goods.

C. Country R has an absolute advantage in the production of barley.

D. There is no comparative advantage.

6. (m25 qp 12-30) The diagram shows the impact of a government introducing an export subsidy for its domestic producers of oil. domestic supply domestic supply + export subsidy price 70 42 world supply domestic demand quantity / millions What will be the effect of this export subsidy on the operation of the domestic market?



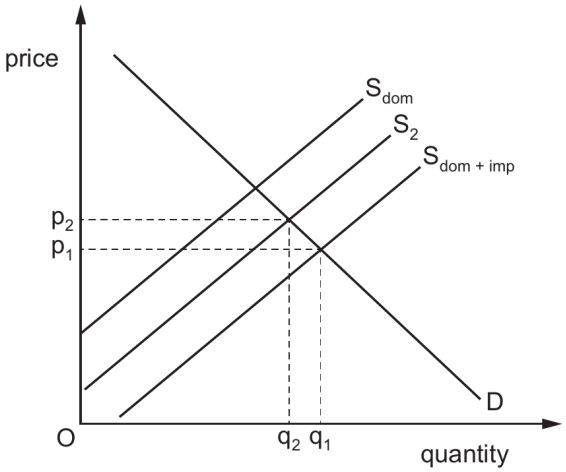
A. domestic output of oil will increase by 15 million units

B. imports of oil will decrease by 25 million units

C. the domestic price of oil will decrease by $28

D. the domestic price of oil will increase by $8

7. (m24 qp 12-29) The diagram shows the market for both domestic and imported computers for an economy. The world price is p1. Sdom Sdom + imp Which government policy would lead to a price of p2?



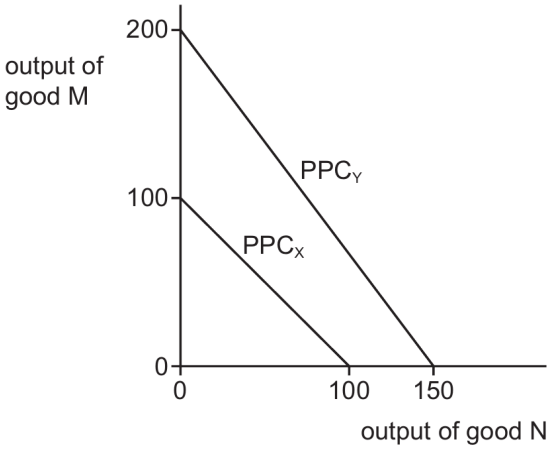
A. an embargo on imports

B. an exchange rate appreciation

C. a subsidy to domestic producers

D. a tariff on imports

8. (w23 qp 11-20) The diagram shows the production possibility curves (PPCs) for country and country , the only 200 output of good M PPCY 100 PPCX output of good N Under which terms of trade will both country and country benefit from trading with each other?



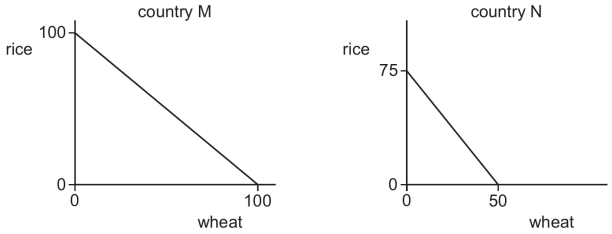
A. 1M for 0.75N

B. 1M for 0.8N

C. 1M for 1N

D. 1M for 2N

9. (s23 qp 12-26) The world consists of two countries, M and N. The graphs show their production possibilities for wheat and rice. country M country N 100 rice rice wheat wheat Countries M and N operate on their production possibility curves and, before specialisation, What will be the change in the world output if both countries decide to specialise according to comparative advantage?



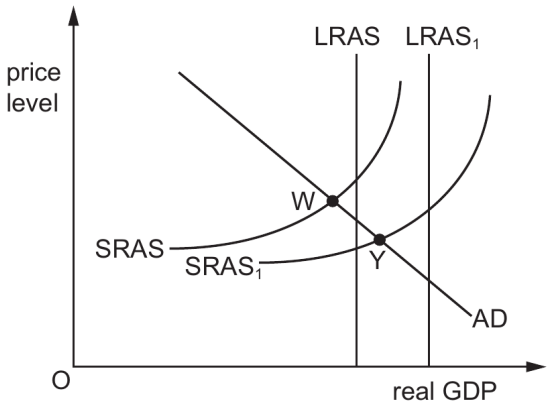
A. It will fall by 5 units.

B. It will fall by 30 units.

C. It will rise by 5 units.

D. It will rise by 30 units.

10. (s23 qp 13-29) The diagram shows that the imposition of a tariff raises a product's world price from $10 to $14. domestic supply domestic demand quantity (millions)



A. $120 million

B. $160 million

C. $220 million

D. $280 million