AL 经济逆袭宝典

CIE AS Economics • Basis

Structured

新灯塔国际教育

目录

1 Basic Economic Ideas and Resource Allocation（基本经济思想与资源配置） **3**

2 The Price System and the Microeconomy（价格机制与微观经济） **22**

3 Government Microeconomic Intervention（政府微观干预） **41**

4 The Macroeconomy（宏观经济） **58**

5 Government Macroeconomic Intervention（政府宏观干预） **76**

6 International Economic Issues（国际经济问题） **95**

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

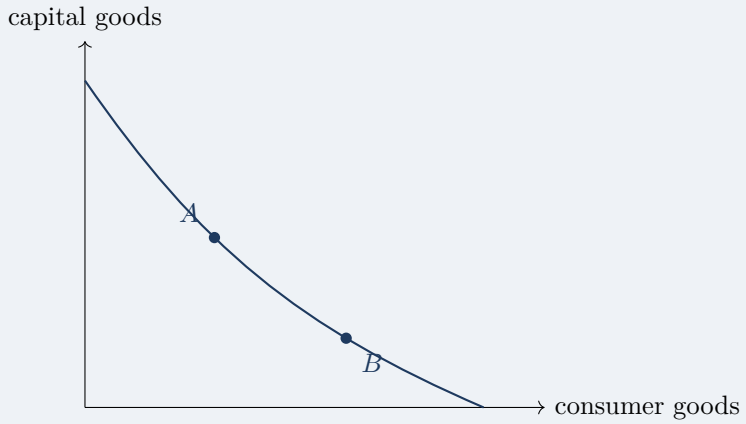
- **Scarcity**（稀缺）: unlimited wants, limited resources.
- **Opportunity cost**（机会成本）: next-best alternative forgone; exclude sunk cost.
- **Three questions**（三问）: what / how / for whom.
- **Positive / normative**（实证 / 规范）: testable fact vs value judgement (should, ought).
- **Ceteris paribus**（其他条件不变）; 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. (s23 qp 22-3(b)) Using a production possibility curve (PPC) diagram, demonstrate the impact of the rising level of unemployment on the Nigerian economy. 【2】

- For a fully accurately labelled PPC diagram i.e., axes labelled as 2 products and curve touching both (1)
- Showing a movement to the left within the curve or from the curve to a position within the curve (1)

Example 2. (s23 qp 21-3(a)) With the help of a diagram, explain the difference between the causes of a movement along, and a shift of, a production possibility curve (PPC) and consider which is likely to have the most immediate impact on an economy. 【8】



AO1 Knowledge and understanding (3 marks maximum)

An understanding of a PPC shown through an accurate diagram, with correctly labelled axes (1), a movement along a PPC showing a trade-off between production on the two axes (1), and a shift of a PPC showing an increase in production of two goods with no trade-off. (1)

AO2 Analysis (3 marks maximum)

Uses the PPC to explain that a movement along a PPC is caused by a reallocation of resources (1), as resources are shifted between the two types of product, involving an opportunity cost (1), but a shift of a PPC is caused by an increase in the quantity and/or quality of resources, allowing more of both goods to be produced. (1)

AO3 Evaluation (2 marks maximum)

Offers a valid judgement on whether a movement along, or a shift of, a PPC is likely to have the most immediate impact on an economy (1) to reach a conclusion. (1)

入门综合 · 36

1. (s23 qp 23-3(d)) Explain why a doughnut might be regarded as a demerit good. 【2】

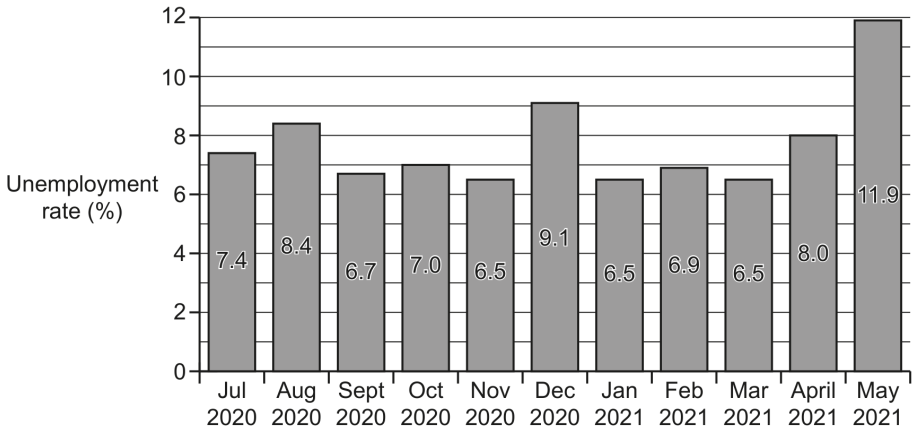
2. (w25 qp 21-3(b)) Explain what is meant by 'The opportunity cost of Mexico' s new energy policy is huge.'【2】

3. (w25 qp 23-3(b)) Explain one example of 'what to produce' in Malaysia that may have to change in order to meet the needs of its ageing population. 【2】

4. (s23 qp 22-3(b)) Using a production possibility curve (PPC) diagram, demonstrate the impact of the rising level of unemployment on the Nigerian economy. 【2】

5. (m24 qp 22-3(b)) With the help of a production possibility curve (PPC) diagram, demonstrate the likely impact of increased investment in AI on the Japanese economy in the long run. 【2】

6. (s23 qp 21-1(a)) Using the data in Fig. 1.1, calculate the change in India' s unemployment rate between July 2020 and May 2021. 【2】



Source: tradingeconomics.com, July 2021

Fig. 1.1: India's unemployment rate, July 2020 to May 2021

7. (m23 qp 22-3(b)) Using the information provided, explain what is meant by 'the US government's economic stimulus package'. 【2】

8. (m24 qp 22-3(a)) Using the information in Table 1.1, compare the change in projected real GDP growth of Japan with that in the US between 2022 and 2025. 【2】

Table 1.1: Selected macroeconomic indicators for Japan and the US, 2020 to 2025

	Japan			US		
	Central government debt (% of GDP)	Unemployment rate (%)	Real GDP growth (% change from previous year)	Central government debt (% of GDP)	Unemployment rate (%)	Real GDP growth (% change from previous year)
2020	254.1	2.8	−4.6	133.9	8.1	−3.4
2021	256.9	2.8	2.4	133.3	5.4	6.0
2022*	252.3	2.4	3.2	130.7	3.5	5.2
2023*	250.8	2.3	1.4	131.1	3.0	2.2
2024*	251.0	2.3	0.8	131.7	3.0	1.7
2025*	251.3	2.3	0.6	132.5	3.1	1.7

*forecast

Source: IMF, 2021

9. (s23 qp 21-3(b)) Using the information provided, explain how agriculture caused seasonal unemployment in India in December 2020. 【2】

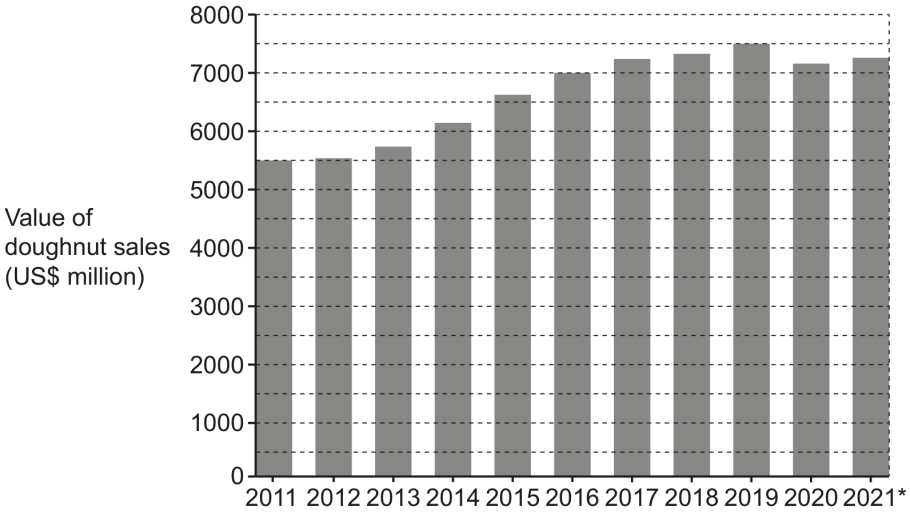
10. (s23 qp 22-3(a)) Compare the government budget balance of Nigeria in 2016 with the government budget balance in 2020. 【2】

Table 1.1 Nigeria: key economic indicators

	2016	2017	2018	2019	2020
Economic growth rate (% change in real Gross Domestic Product (GDP) per year)	1.6	0.8	1.9	2.2	–1.8
Inflation rate (% change in Consumer Price Index (CPI) per year)	15.7	16.5	12.1	11.4	12.8
Current account balance (% of GDP)	0.7	2.8	1.30	–3.8	–3.7
Government budget balance (% of GDP)	–3.9	–5.4	–4.5	–4.3	–5.2
Unemployment rate (% of labour force)	7.0	8.4	8.5	8.5	9.0

Source : Global economy.com

11. (s23 qp 23-3(a)) Using the data in Fig. 1.1, calculate the percentage change in the value of sales of doughnuts in the US from 2011 to 2019. 【2】



Source: ibisworld.com, March

Fig. 1.1 Doughnut market size in the US, 2011 to 2021

12. (s23 qp 23-3(b)) Explain one reason why the US market for doughnuts contracted in 2020. 【2】

13. (s23 qp 23-3(c)) Comment on whether the demand for doughnuts in the US is income elastic or income inelastic. 【2】

14. (s24 qp 22-3(a)) Describe what has happened to consumer prices in the Eurozone between March 2021 and February 2022. 【2】

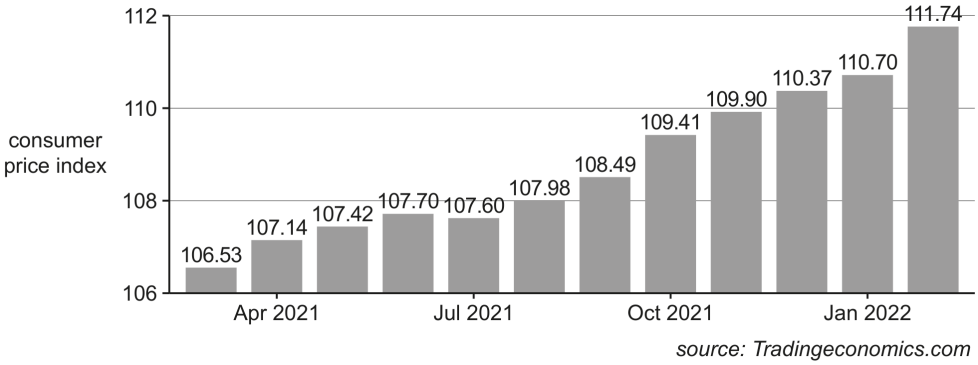


Fig 1.1: Eurozone Consumer Prices Index (CPI) March 2021 – February 2022

15. (s24 qp 22-3(b)) With the help of an aggregate demand and aggregate supply diagram, identify the main type of inflation in the Eurozone. 【2】

16. (s25 qp 23-3(b)) Is the short-run price elasticity of supply of red onions elastic or inelastic? Justify your answer. 【2】

17. (s24 qp 21-1(a)) Using Table 1.1: (i) Identify the overall trend in Sri Lanka' s balance of trade in goods and services between January 2022 and January 2023. 【1】 (ii) Calculate the percentage change in Sri Lanka' s balance of trade in goods and services between January 2022 and January 2023. 【1】

Table 1.1: Sri Lanka balance of trade in goods and services, US$ million, January 2022 to January 2023.

January 2022	March 2022	May 2022	July 2022	September 2022	November 2022	January 2023
–858	–762	–404	–123	–205	–450	–410

18. (w23 qp 21-3(a)) Using the data in Table 1.1, calculate the expected growth in Taiwan's real GDP in 2021, based on the latest forecast. 【2】

Table 1.1 Selected economic data for Taiwan, 2021

	Previous forecast (November 2020)	Latest forecast (February 2021)
Nominal GDP growth (% per year)	3.8	4.6
CPI increase (% per year)	1.2	1.3
Export sales growth (% per year)	4.6	9.6
Trade balance (US$ billion)	57.8	63.9

19. (w23 qp 22-3(b)) Explain why the price of oil on the world market fell in 2020. 【2】

20. (w23 qp 23-3(b)) Which country shown in Fig. 1.1 experienced the most severe recession in 2020? Justify your answer. 【2】

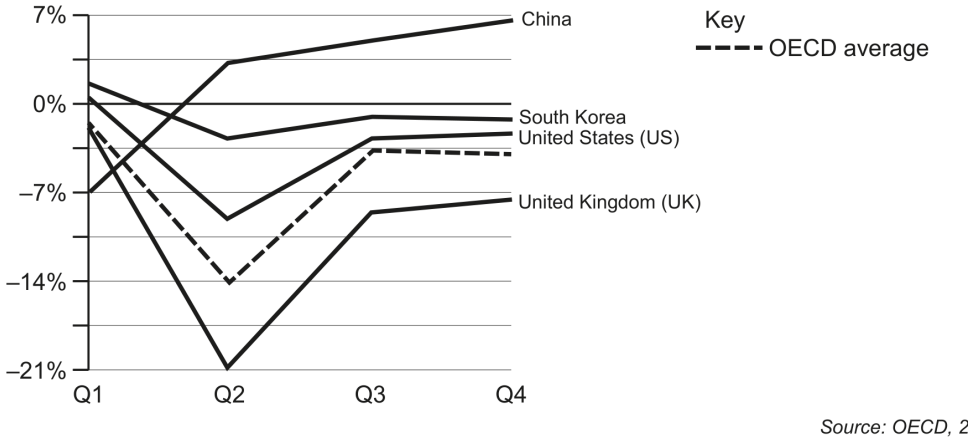


Fig. 1.1 Annual change to quarterly gross domestic product (GDP) in selected countries in 2020 compared to the OECD average.

21. (w24 qp 21-3(b)) Explain what is meant by 'the real interest rate will be negative' in Argentina in January 2022. 【2】

22. (w24 qp 22-3(a)) Identify two possible reasons why the current account on the balance of payments in Chile is in deficit in the first quarter of 2022 despite the surplus on the balance of trade in goods. 【2】

23. (w24 qp 23-3(b)) Is the price elasticity of supply of coffee beans likely to be elastic or inelastic in any one year? Justify your answer from the information provided. 【2】

24. (w25 qp 24-3(a)) Compare the forecast rates of economic growth for the US and Eurozone between 2023 and 2024. 【2】

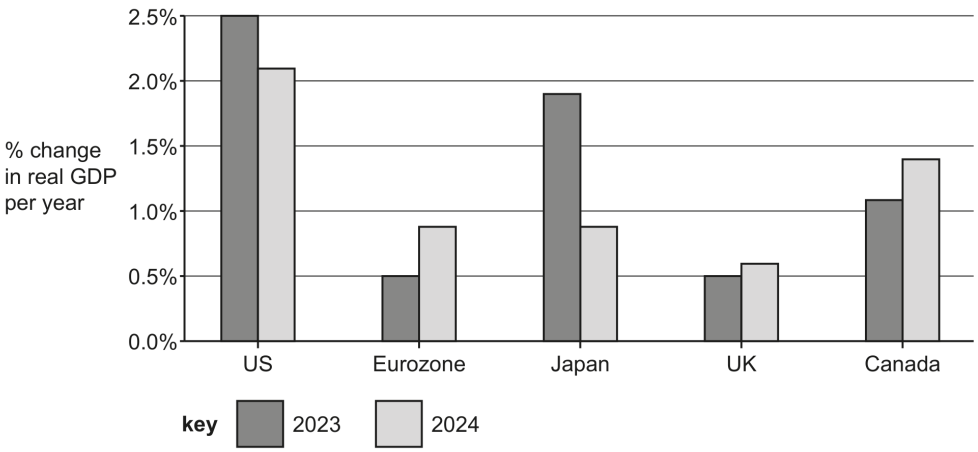


Fig. 1 International Monetary Fund (IMF) economic growth forecasts for 2023 and 2024

25. (s24 qp 21-3(a)) With the use of examples, explain the difference between public goods and merit goods and consider whether markets will always provide enough of both goods. 【8】

26. (w24 qp 23-3(a)) With the aid of examples, explain the characteristics of public goods and free goods and consider whether free-of-charge vaccinations offered by a government should be classified as a free good. 【8】

27. (w24 qp 22-4(a)) With the help of a production possibility curve (PPC) diagram(s), explain the difference between constant and increasing opportunity costs and consider how choices in deciding which type of goods to produce in the short run may influence future economic growth. 【8】

28. (w24 qp 21-3(a)) With the help of a diagram, explain the significance of a position within a market economy' s production possibility curve (PPC) and consider whether such a position is likely to be permanent. 【8】

29. (w23 qp 23-3(a)) Explain why the provision of bus and local rail (mass transit) services in cities is classified as a private good not a public good and consider why such services might only be provided by the private sector. 【8】

30. (w23 qp 22-3(a)) With the help of examples, explain the difference between free goods and public goods and consider the view that public goods can never be provided in a market economy. 【8】

31. (m23 qp 22-3(a)) Explain the functions of price in resource allocation and consider the importance of these functions in relation to the potential effectiveness of a market economy. 【8】

32. (s23 qp 21-3(a)) With the help of a diagram, explain the difference between the causes of a movement along, and a shift of, a production possibility curve (PPC) and consider which is likely to have the most immediate impact on an economy. 【8】

33. (w25 qp 21-3(d)) With the help of a diagram, assess whether the potential advantages of providing a subsidy to keep down the price of electricity in Mexico will outweigh the potential disadvantages. 【6】

34. (w25 qp 23-3(d)) Assess whether the Malaysian government should provide free childcare to working parents. 【6】

35. (w25 qp 21-3(e)) Assess the potential benefits and limitations of Mexico keeping its oil to generate the country’ s electricity. 【6】

36. (w25 qp 21-3(c)) Consider the extent to which direct provision of electricity in Mexico through state-owned companies may be advantageous to consumers. 【4】

Further Practice（进阶）· 9

A. PPC, scarcity and factors

1. (s25 qp 21-3(a)) With the help of a diagram, explain the reasons for a movement within a production possibility curve (PPC) and a shift of a PPC and consider the extent to which opportunity cost determines the shape of a PPC. 【8】

2. (w25 qp 22-2(a)) With the help of a diagram, explain the difference between a movement along a production possibility curve (PPC) and a shift of this curve and consider whether a decision to produce more of one product will always incur an equal opportunity cost. 【8】

3. (w25 qp 21-3(a)) With the help of examples, explain the nature and characteristics of free goods and private goods (economic goods) and consider the significance of the distinction between these two types of good. 【8】

B. Systems and specialisation

4. (s25 qp 22-2(a)) With the help of examples, explain the difference between public goods and free goods and consider whether a market economy can ever produce public goods. 【8】

5. (m25 qp 22-3(a)) Explain the difference between a public good and a private good (economic good) and consider the extent to which a beach could be described as a public good. 【8】

6. (m25 qp 22-2(a)) With the help of a production possibility curve (PPC) diagram, explain the terms scarcity and choice and consider the extent to which every choice has an equal opportunity cost. 【8】

C. Public, merit and demerit goods

7. (s25 qp 23-3(a)) Explain what is meant by a merit good and why governments provide merit goods such as healthcare free of charge and consider why such provision may not always be successful. 【8】

8. (s24 qp 23-3(a)) Use a production possibility curve (PPC) diagram to explain how a government in a mixed economy might allocate more resources to consumption and fewer resources to investment and consider a limitation of this approach to resource allocation. 【8】

9. (s24 qp 22-1(a)) With the help of an example of each, explain the difference between a merit good and a demerit good and consider whether a subsidy given to a merit good will always be effective in increasing its consumption. 【8】

Advanced Practice（培优）· 8

A. Discuss / evaluate

1. (w25 qp 24-3(b)) Assess the extent to which a government should subsidise the production of merit goods to increase the consumption of these goods. 【12】

2. (s25 qp 21-2(b)) Assess whether a shift to the right of a PPC is only caused by an increase in the quantity of resources. 【12】

3. (m25 qp 22-3(b)) Assess the extent to which a subsidy is likely to be the best method to increase the consumption of a merit good. 【12】

4. (w25 qp 22-3(b)) Assess the extent to which it is always necessary to increase the size of the labour factor of production in order to cause an outward shift of the production possibility curve. 【12】

5. (s25 qp 24-3(b)) Assess whether governments should always support the provision of merit goods in markets such as those for education or health care. 【12】

6. (m25 qp 22-2(b)) Assess whether the allocation of resources in a market economy is always beneficial. 【12】

7. (s25 qp 21-3(b)) Assess whether an increase in the tax on a demerit good is always the best way to reduce the consumption of such a product. 【12】

8. (s25 qp 22-3(b)) Assess the extent to which a government can ensure that both merit and demerit goods are produced in desirable quantities. 【12】

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

Demand and supply; PED, YED and XED; price elasticity of supply; market 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. (w25 qp 21-2(a))
With the help of a formula, explain what is meant by price elasticity of demand for a product and consider the importance of time in determining whether demand for the product is likely to be relatively price elastic or relatively price inelastic. 【8】

Follow the point-based marking guidance at the top of this mark scheme and award: up to 3 marks for AO1 Knowledge and understanding, up to 3 marks for AO2 Analysis, up to 2 marks for AO3 Evaluation.

AO1 Knowledge and understanding (max 3 marks)

- A knowledge and understanding of the formula for calculating price elasticity of demand: percentage change in the quantity demanded of a product divided by percentage change in the price of the product. (1)
- If the PED value is greater than one, the demand is price elastic, which means that percentage change in demand is greater than percentage change in price. (1)
- If the PED value is between zero and one, the demand is price inelastic, which means that percentage change in demand is less than percentage change in price. (1)

AO2 Analysis (max 3 marks)

An analysis of the importance of time in determining PED:

- Demand for a product is likely to be more inelastic in the short run than in the long run. (1)

• In the long run, consumers have more time to think about possible alternatives to a product. (1)

• Habit is more likely to influence the short-run pattern of consumption, making demand less likely to be affected by price changes. (1)

AO3 Evaluation (max 2 marks)

Offers a valid judgement on the importance of time in determining whether demand for the product was likely to be relatively price elastic or relatively price inelastic (1) to reach a conclusion. (1)

Example 2. (w21 qp 21-3(b))
Discuss whether decisions made by a business are more likely to be influenced by knowledge of the price elasticity of demand for its product or by knowledge of the price elasticity of supply of its product. 【12】

Analysis of the usefulness of knowledge of price elasticity of demand to a business (up to 4 marks)

Potential usefulness of PED: • it can be helpful in giving a business an indication of the extent to which a change in price may affect revenue • this will show that to increase revenue, the price of an elastic good should be reduced and the price of an inelastic good should be increased • however, to be able to make appropriate calculations, a businessman will need to take into account the availability of substitutes, the width of the definition of the product, the amount spent on the product and the time period under consideration

Analysis of the usefulness of knowledge of price elasticity of supply to a business (up to 4 marks)

Potential usefulness of PES: • it can be helpful in giving a business an indication of the extent to which a change in the price of a product can lead to a change in the quantity supplied of a product • it can help a business to make decisions about how much stock to hold • it can help a business decide on the extent of spare capacity to provide for • it can help a business decide on the factors of production it is going to need

AN: 8 marks maximum

For exercising some judgement on whether decisions made by a business are more likely to be influenced by knowledge of PED or PES (up to 4 marks)

Reserve 1 mark for a conclusion

EV: 4 marks maximum

Note: No marks for KU of PED and PES

入门综合 · 36

1. (m25 qp 22-1(a)) Using Fig. 1.1, calculate the percentage change in the world price of olive oil between May 2022 and January 2023. 【2】

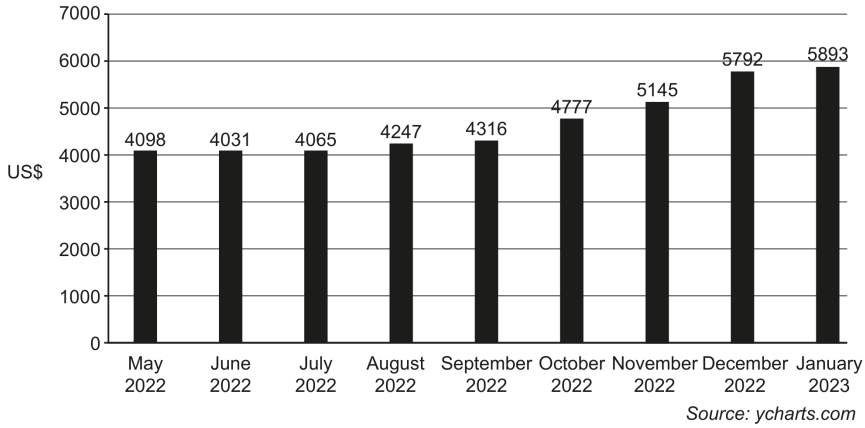


Fig. 1.1 World price of olive oil, May 2022 to January 2023 (US$/tonne)

2. (m25 qp 22-1(b)) Some restaurants and commercial kitchens are using sunflower oil as an alternative to olive oil. Explain how economists could measure the impact of rising olive oil prices on the demand for sunflower oil. 【2】

3. (s25 qp 23-1(a)) Use a demand and supply diagram to demonstrate how 'a series of typhoons' affected the market price of food crops in Southeast Asia in January 2023. 【2】

4. (w20 qp 22-1(b)(i)) Ice cream producers can use natural vanilla or vanillin to produce ice cream. (i) State the concept that an economist would use to measure the responsiveness of the demand for natural vanilla to a change in the price of vanillin. 【1】

5. (s24 qp 22-1(d)) Using the concept of price elasticity of demand, assess the relative impact on poorer households, including those on fixed incomes, of rising prices of food and energy. 【6】

6. (w21 qp 23-1(d)) Discuss whether cuts in direct taxes would increase the demand for all types of consumer goods in China. 【6】

7. (w25 qp 22-1(b)) With the help of a demand and supply diagram, demonstrate why cocoa bean prices continued to fall in 2023. 【2】

8. (w24 qp 23-1(a)) Use a demand and supply diagram to show why there was a 'huge' increase in the price of Arabica coffee beans in 2021. 【2】

9. (w23 qp 22-1(a)) Using the data in Table 1.1, calculate the percentage change in the average real global price of oil between 2014 and 2020. 【2】

Table 1.1 Selected data from the oil and car industries, 2014 to 2020

	2014	2015	2016	2017	2018	2019	2020
Average real global price of oil (US$ per barrel)	93.2	48.5	43.3	50.8	65.2	57.0	39.7
Global sales of electric cars (millions)	N/A	0.6	0.8	1.3	2.1	2.2	2.3

Sources: Macrotrends.net and World Economic Forum

10. (w22 qp 21-1(a)) Explain how ‘a product’s price acts as a signal of its scarcity’. 【2】

11. (w20 qp 22-1(b)(ii)) Ice cream producers can use natural vanilla or vanillin to produce ice cream. (ii) Explain the value that you would expect for this measurement. 【3】

12. (w22 qp 22-1(a)) Identify one possible cause of the decline in world export prices of maize. 【1】

13. (w22 qp 22-1(b)) Explain one change in a factor of demand that would lead to maize prices rising in Malawi despite the increase in domestic production. 【2】

14. (s21 qp 21-1(b)) Explain one possible demand factor and one possible supply factor that could have caused the increase in Vietnam’s export sales of fruit and vegetables. 【4】

15. (w20 qp 22-1(c)) Explain why the price elasticity of supply of ice cream made with vanillin is likely to be relatively more elastic than the price elasticity of supply of ice cream made with natural vanilla. 【4】

16. (w20 qp 22-1(a)(i)) Vanillin is a synthetic substitute to natural vanilla that can be used in the production of ice cream. It is made from more reliable sources of plentiful raw materials, such as wood pulp and petroleum and it has been falling in price. For many years, some of the world' s largest producers of ice cream replaced natural vanilla with vanillin. A consequence of this falling demand for natural vanilla was that Madagascar' s farmers earned very low returns and many ceased growing natural vanilla. Surprisingly, despite there being fewer growers, the price of natural vanilla stayed low between 2005 and 2012.

With reference to the extract and Fig. 1.1, use supply and demand diagrams to explain the change in the price of natural vanilla (i) from 2004 to 2009 【3】

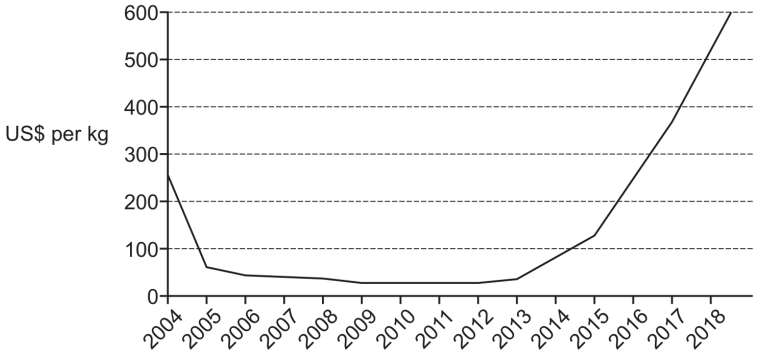


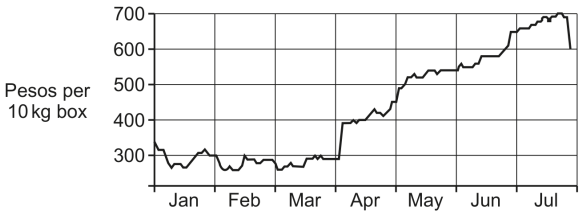
Fig. 1.1 Vanilla Prices, January 2004 to May 2018 (US dollars per kilogram)

17. (s22 qp 23-1(c)) The supply of avocados is unpredictable. It is estimated that to produce one kilogram of avocado requires 2000 litres of water. Consequently, production is highly susceptible to drought conditions such as those that affected Central American growers in 2018. When this happens, the price of avocados increases as shown in Fig. 1.2.

A shortage in supply provides an opportunity for new producers to enter the global market. Kenya, for example, has expanded its productive capacity and signed an agreement to supply the Chinese market. Even some New Zealand farmers switched from dairy to avocado production.

The global market for avocados is expected to continue to grow over the next few years. Rising prices will continue to increase production.

Using the information provided, consider whether the supply of avocados is price elastic or price inelastic in the short run and in the long run. 【4】



Source: Mexican Ministry of Economy

Fig. 1.2: Wholesale price of Mexican avocados in the US, January to July 2019 (pesos per 10 kg box)

18. (w25 qp 24-1(c)) Explain, with the help of a diagram, why an increase in productivity in US firms may reduce the price of their products and consider whether this will always be the outcome. 【4】

19. (m24 qp 22-1(c)) With the help of a demand and supply diagram, consider the impact of additional investment in AI on the price and output of a US carmaker. 【4】

20. (s22 qp 23-1(e)) The global consumption of avocados has increased in the last few years, particularly in the United States (US) but also in China and parts of Europe. This growth is largely due to the increasing popularity of 'guacamole' (smashed avocado) and the health benefits claimed for its regular consumption. The US is the largest importer of avocados with supplies coming mainly from Central and South American producers as shown in Fig. 1.1.

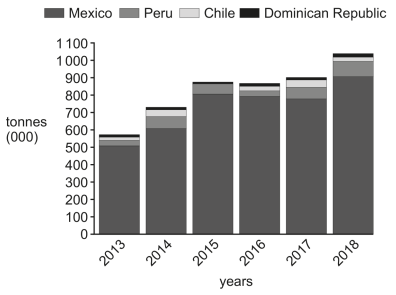
    The supply of avocados is unpredictable. It is estimated that to produce one kilogram of avocado requires 2000 litres of water. Consequently, production is highly susceptible to drought conditions such as those that affected Central American growers in 2018. When this happens, the price of avocados increases as shown in Fig. 1.2.

    A shortage in supply provides an opportunity for new producers to enter the global market. Kenya, for example, has expanded its productive capacity and signed an agreement to supply the Chinese market. Even some New Zealand farmers switched from dairy to avocado production.

    The global market for avocados is expected to continue to grow over the next few years. Rising prices will continue to increase production. It should be recognised, however, that there are

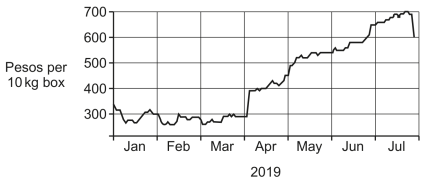
increasing objections to higher production. In Mexico, for example, farmers have cleared forests to cultivate more avocados. This has put a strain on water supplies and raised concerns about the effects of the farmers' actions on climate change. These concerns have led one market research report to conclude that 'the price mechanism is not working to allocate resources successfully.'

Discuss whether the price mechanism in the avocado market is working to allocate resources successfully. 【6】



Source: Avacados show growth in volume, www.thepacker.com

Fig. 1.1: US Avocado imports by country, 2010 to 2018



Source: Mexican Ministry of Economy

Fig. 1.2: Wholesale price of Mexican avocados in the US, January to July 2019 (pesos per 10 kg box)

21. (s23 qp 23-2(a)) Explain, with the help of examples, the significance of the size and sign of the coefficient of income elasticity of demand for the classification of a good and consider how confident you are of this classification. 【8】

22. (w20 qp 21-3(a)) Cross elasticity of demand for bread with respect to the price of rice is +1.4 while the cross elasticity of demand for bread with respect to the price of butter is –0.7. Explain why the cross elasticity of demand figures for bread differ. 【8】

23. (s24 qp 23-2(a)) From 2030, most new car production in the United Kingdom (UK) will be of electric cars. Excluding the price of electric cars, explain the determinants of demand for electric cars and consider which of these determinants is likely to be of greatest significance at the present time. 【8】

24. (w23 qp 21-2(a)) With the help of a diagram, explain what could cause an increase in demand for a product and consider whether the impact of an increase in demand on the price of the product will be the same in the short run and the long run. 【8】

25. (w23 qp 23-2(a)) The price elasticity of supply (PES) for a new smartphone is estimated to be 0.8 in the short run and 1.8 in the long run. Explain what these estimates mean for producers and consumers of smartphones and consider why the estimates differ. 【8】

26. (w24 qp 22-2(a)) With the help of a diagram(s), briefly explain how the cause of a movement along the demand curve differs from the cause of a shift in the demand curve and consider the impact on the demand for one good of price changes in other goods. 【8】

27. (s22 qp 22-3(a)) With the help of diagrams, use the concept of income elasticity of demand to explain the impact of a fall in incomes on the equilibrium price and equilibrium quantity of a normal good and an inferior good. 【8】

28. (w22 qp 21-2(a)) Explain two factors that will determine the price elasticity of demand for a particular brand of car and how this price elasticity of demand may change over time. 【8】

29. (m25 qp 22-1(d)) Assess the likely impact of increasing stocks of olive oil on the price and quantity of olive oil traded in the future. 【6】

30. (s21 qp 21-3(a)) With the aid of diagrams, explain how consumer surplus is affected by a decrease in the price of a luxury product with many substitutes, and of an essential product with few substitutes. 【8】

31. (s23 qp 23-2(b)) When the price of a product changes, it usually changes the consumer surplus in the market. Assess how variations in price elasticity of demand for a product determine the extent of changes in consumer surplus in a market. 【12】

32. (s24 qp 21-3(b)) Assess the extent to which price elasticity of supply or cross elasticity of demand is more useful to businesses. 【12】

33. (w24 qp 23-1(d)) Assess the extent to which coffee bean producers will gain from the huge increase in coffee bean prices in 2021. 【6】

34. (s24 qp 23-2(b)) Assess whether cross elasticity of demand is likely to be more important in determining the demand for electric cars than income elasticity of demand. 【12】

35. (w23 qp 21-2(b)) Assess whether price elasticity of demand (PED) or income elasticity of demand (YED) is likely to be of greater importance to a firm producing cars. 【12】

36. (w23 qp 23-2(b)) Assess whether knowledge and understanding of price elasticity of demand (PED) or cross elasticity of demand (XED) is likely to be more useful to a producer of smartphones. 【12】

Further Practice （进阶）· 9

Further Practice

1. (s25 qp 23-2(a)) Semi-conductors are widely used in the production of many types of electronic goods such as smartphones. It has been estimated that the price elasticity of supply for semi-conductors is 0.2 in the short run and 0.8 in the long run. Explain what these estimates mean for producers of smartphones that use semi-conductors and consider the significance of the long-run estimate. 【8】

2. (m21 qp 22-3(a)) Explain how you would use the concept of cross-elasticity of demand to measure the impact on the demand for cars when there is a rise in the price of fuel for cars and when there is a rise in the price of public transport. 【8】

3. (s25 qp 24-2(a)) With the help of a formula, explain the meaning of price elasticity of demand and consider the significance to a firm of having price elastic or price inelastic demand for its product. 【8】

4. (w24 qp 22-2(b)) Assess whether knowledge of income elasticity of demand or price elasticity of demand for its product is more useful to a business aiming to increase the total expenditure on its product during a period of economic growth. 【12】

5. (m22 qp 22-3(a)) Explain what is meant by 'protectionism' and describe two ways in which this steel industry could be protected. 【8】

6. (s22 qp 21-3(a)) Explain two factors that determine the price elasticity of supply of a manufactured product. 【8】

7. (w24 qp 21-2(a)) Explain the determinants of supply for an agricultural product, such as rice, and consider which of these determinants is likely to be of the greatest significance at the present time. 【8】

8. (w23 qp 22-2(a)) With the help of a formula, explain what is meant by the term price elasticity of demand for a product and consider the extent to which it allows an entrepreneur to determine the effect of price changes on the total expenditure on their product. 【8】

9. (s23 qp 22-2(a)) With the help of a diagram(s), explain what is meant by consumer surplus and producer surplus and consider whether a rise in the price of a product because of higher costs of production is likely to always reduce the consumer surplus. 【8】

Advanced Practice （培优）· 8

Advanced Practice

1. (s25 qp 23-2(b)) Assess the likely effects on resource allocation of a continuing increase in demand for semi-conductors. 【12】

2. (w25 qp 22-2(b)) Assess the view that a business should be more concerned about the income elasticity of demand for its product than its cross elasticity of demand when incomes are falling. 【12】

3. (s21 qp 21-3(b)) Discuss the extent to which knowledge of the income elasticity of demand for its product is likely to be more useful to a business than knowledge of the cross elasticity of demand for its product. 【12】

4. (s21 qp 22-3(b)) An economy is experiencing a fall in average incomes during a severe recession. Discuss the extent to which the concepts of income elasticity of demand and price elasticity of demand might be useful to an entrepreneur in this economy and consider which would be more useful. 【12】

5. (w24 qp 21-2(b)) Assess whether the supply of agricultural products is likely to be more price elastic or less price elastic than the supply of manufactured products. 【12】

6. (w23 qp 22-2(b)) Assess whether the concept of price elasticity of supply or cross elasticity of demand will be more useful to a business wanting to increase its total sales in a growing economy. 【12】

7. (w25 qp 21-2(b)) Assess whether knowledge of a product' s income elasticity of demand is more important to a firm producing it than knowledge of its cross elasticity of demand. 【12】

8. (w22 qp 21-2(b)) Discuss whether knowledge of price elasticity of demand or income elasticity of demand would be of greater use to a business that produces cars. 【12】

3 Government Microeconomic Intervention(政府微观干预)

Reasons for intervention; specific indirect 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. (w24 qp 22-1(c))
Explain what is meant by the fall in Chile' s Gini coefficient from 52.1 to 44.4. 【2】

1 mark for an accurate definition only e.g., the Gini coefficient measures income inequality.

2 marks for an explanation that the fall (from 52.1 to 44.1) means that income is more equally distributed.

Example 2. (s22 qp 23-2(a))
A government has decided to spend money building a new barrier to prevent flooding across a city. Explain why this flood defence barrier is likely to meet the characteristics of a public good. 【8】

Public goods have two key characteristics. These are that they are non-excludable and non-rival. Both need to be explained and the explanation applied to a new flood defence barrier. Better answers will then point out the free rider problem in the provision of public goods and why it would be difficult for funding to be from the private sector as a private good.

For knowledge and understanding of the difference between a private good and a public good by reference to the characteristics of excludable (1 mark) and rivalry (1 mark)

For application, explain that a flood defence system is a public good (1 mark), why it is non-excludable (1 mark), why it is non-rival (1 mark)

For application, explain that it cannot be a private good (1 mark) by accurate reference to both excludability and rivalry (1 mark) and the free rider problem (1 mark)

入门综合 · 36

1. (w22 qp 22-1(d)) Explain, with the help of a diagram, how a rise in the minimum price of maize in Malawi will encourage production. 【3】

2. (w23 qp 22-1(c)) However, the rise of electric car sales could slow within the next few years due to a worldwide shortage of the supply of lithium needed for car batteries. Demand for lithium could triple by 2025 to one million tonnes per year and then double again to two million tonnes per year by 2030. A typical lithium mine produces 30 000 tonnes per year which means the market needs approximately four new mines per year to meet demand. However, it usually takes about six years to discover, develop and put a lithium mine into production.

   With the help of a diagram, explain why the supply problem referred to may lead to increases in the price of electric cars in the future and consider one policy that may be used to overcome this supply problem. 【4】

3. (w22 qp 21-1(c)) Explain, with the help of a diagram, how an effective minimum price would affect the market for a basic food, such as rice in Haiti. 【4】

4. (w24 qp 23-1(c)) Consider whether a buffer stock scheme is likely to be successful in reducing the price fluctuations shown in Fig. 1.1. 【4】



Source: tradingeconomics.com, 18 February 2022

Fig. 1.1: Arabica coffee bean price, 2002 to 2022

5. (s25 qp 24-1(c)) Consider the extent to which the potential advantages of subsidies given to firms by the Malaysian government outweigh their potential disadvantages. 【4】

6. (w25 qp 22-1(c)) Consider whether a buffer stock system controlled by the government of Ivory Coast would be likely to prevent fluctuations in the price of cocoa beans. 【4】

7. (w22 qp 23-1(d)) Explain two other ways, apart from subsidies and reductions in sales tax, in which the government might support Pakistan' s farmers. 【4】

8. (w22 qp 22-1(e)) Consider, with the help of a diagram, whether a subsidy on maize production will benefit both the producers of maize and poorer households in Zimbabwe equally. 【4】

9. (w22 qp 23-1(c)) Analyse, with the help of a diagram, how the sales tax on fertilisers affects the market for fertilisers in Pakistan. 【4】

10. (s23 qp 22-1(e)) Assess whether adjusting the collection of direct tax or indirect tax is likely to be more effective in increasing the tax revenue collected by the Nigerian government. 【6】

11. (s21 qp 23-1(d)) Discuss whether a minimum price for fuel would be effective in reducing the congestion caused by the demand for roads exceeding supply. 【6】

12. (s23 qp 23-1(f)) Assess the likely effects on UK consumers and the UK government of a ban on online adverts for sugary foods. 【6】

13. (s25 qp 22-1(e)) South Africa has serious economic difficulties. Despite its vast natural resources, the main economic indicators show a country in trouble. As Fig. 1.1 shows, despite a fall over the last year, unemployment remains very high. It is amongst the highest in the world, particularly for young people, and this has led to one of the highest and most persistent levels of income inequality in the world, with a Gini coefficient of 0.67.

    In a March 2023 statement, the International Monetary Fund (IMF) recommended that the South African government should adopt the following policies:

    • Improvements in infrastructure, particularly electricity supplies and transport links. This should be achieved by promoting more private sector investment.

    • To tackle the very high rates of unemployment and income inequality, a range of policies has been suggested. These include setting the minimum national wage at an appropriate rate to encourage more people back into the workforce. This should be done alongside policies to strengthen employment protection. In addition, other policies include improving levels of education and training and better support for the transition from school to work. Finally, policies to promote entrepreneurship need to be introduced.

Assess the extent to which the policies suggested to improve infrastructure and to reduce the high rates of unemployment in South Africa are likely to reduce income inequality. 【6】

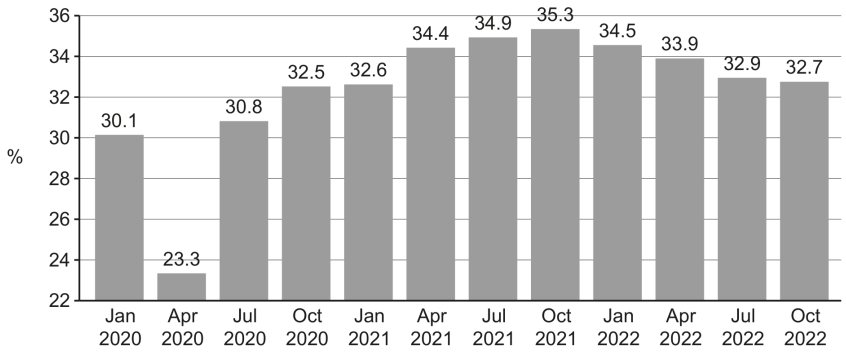


Fig. 1.1 South Africa % rate of unemployment, January 2020 to October 2022

Source: tradingeconomics.com

14. (s23 qp 23-1(e)) With the help of a diagram, assess how the market for sugary foods in the UK might be affected by a ban on online advertising. 【6】

15. (s25 qp 23-1(e)) Assess the extent to which the increase in onion prices is likely to have affected all households equally in the Philippines. 【6】

16. (s25 qp 23-1(d)) Assess whether a ‘suggested retail price’ is the best way of stabilising onion prices in the Philippines. 【6】

17. (w24 qp 22-1(d)) One of the main benefits of Chile’ s increased prosperity in recent years has been a decline in the number of people living at or below the minimum income level of US$5.50 per day. However, Chile remains the most unequal country in the list of largely developed countries according to the Organisation for Economic Co-operation and Development (OECD) with an income gap 65% wider than the OECD average. In addition, although the Gini coefficient has fallen from 52.1 to 44.4, this is still higher than lower-income countries such as Haiti and El Salvador.

    To try and reduce this inequality in income and wealth, the Chilean government has increased its expenditure on education from 3% of GDP in 1997 to 5.4% in 2018. Further recognition of the importance of education as a merit good is shown by the government increasing its education spending by 3.4% each year since 2018. Chile has also recently made all college tuition free of charge. It is hoped that this will reduce the gap in the quality of education received by the wealthiest and poorest students and open up opportunities for everyone.

    Assess the extent to which ‘the government increasing its education spending’ may improve the incomes of poorer households in Chile. 【6】

18. (w22 qp 23-1(e)) Discuss whether agricultural subsidies should not be paid to farmers in countries which have lower opportunity costs in other areas of production. 【6】

19. (w22 qp 21-1(e)) Discuss whether maximum price controls will always be effective in controlling inflation. 【6】

20. (w25 qp 22-1(d)) Assess the extent to which the use of a minimum pricing policy would be the best way to ensure cocoa bean farmers get paid a living wage. 【6】

21. (w21 qp 22-1(e)) Consider whether roads and other items of infrastructure in India would be better provided by the private sector or by the government in India. 【6】

22. (s21 qp 23-1(e)) Discuss whether making public transport free to consumers is the best way to allocate resources in public transport markets. 【6】

23. (w22 qp 22-1(f)) Discuss whether maximum prices on staple foods such as maize are likely to be effective in providing food for poorer households in Zimbabwe. 【6】

24. (w22 qp 21-1(d)) 'Governments use stocks to smooth fluctuations in the price of a commodity like cocoa.' Consider whether government action to smooth fluctuations helps the workings of the price mechanism. 【6】

25. (s21 qp 22-2(a)) In 2018 the UK government, concerned about the rise in obesity, particularly amongst young people, imposed a tax on producers of sugar-sweetened drinks. State what is meant by a demerit good, and with the help of a diagram(s) explain how a tax on producers can improve the allocation of resources in the market for sugar-sweetened drinks. 【8】

26. (w25 qp 24-2(a)) Explain what is meant by the incidence of an indirect tax and consider the extent to which it is possible for the incidence to pass from a producer of a good to a consumer of that good. 【8】

27. (m20 qp 22-3(a)) The government raises taxes to provide a toll road bridge and streetlights in a country. Explain how an economist would classify each of these provisions. 【8】

28. (m20 qp 22-3(b)) Discuss the view that direct taxes are the fairest and the most effective way for governments to raise revenue. 【12】

29. (m24 qp 22-2(a)) With the help of a demand and supply diagram, explain how the introduction of an indirect tax affects equilibrium in a market and consider the extent to which the incidence of the tax will fall on the consumer. 【8】

30. (w24 qp 22-5(a)) With the help of examples, explain the difference between the marginal rate of taxation and the average rate of taxation and consider whether a government should decide to increase the rate of indirect tax to raise additional revenue. 【8】

31. (w23 qp 21-4(a)) Explain the reasons why governments impose taxes and consider whether an increase in income tax is fairer than an increase in sales taxes. 【8】

32. (s24 qp 22-2(a)) Explain how the Gini coefficient is used to measure income inequality and consider the relative strength of two economic reasons suggested for such inequality in a low-income country. 【8】

33. (s22 qp 22-1(b)) Explain whether school lunches provided free-of-charge by the Russian government would be classified as private goods or public goods. 【4】

34. (w21 qp 22-3(a)) Explain what is meant by consumer surplus and use diagrams to assess the impact on consumer surplus when an indirect tax is imposed on a good with price-elastic demand compared with the impact when the demand is price-inelastic. 【8】

35. (w22 qp 23-3(a)) Explain the difference between a progressive direct tax and a regressive indirect tax, with an example of each. 【8】

36. (w20 qp 21-2(a)) Explain, with the help of examples, how imperfect information among consumers affects their consumption of merit goods and demerit goods. 【8】

Further Practice （进阶）· 9

Further Practice

1. (s25 qp 22-3(a)) Explain three reasons, associated with costs of production, why the supply curve for a particular market may shift to the right and consider the extent to which government microeconomic policy may also shift the supply curve for a particular market to the right. 【8】

2. (s22 qp 21-3(b)) Taxes are often placed on manufactured products, even those that are necessities with few substitutes. Discuss whether the incidence of a tax on a manufactured product always falls mainly on the producer. 【12】

3. (s21 qp 23-2(b)) Growing pressures on the budget and on the environment from increasing tourist numbers to Barbados led the government to announce a new indirect tax on incoming tourists in June 2018. Discuss the likely effectiveness of the new indirect tax in raising tax revenue and reducing tourist numbers. 【12】

4. (w22 qp 23-2(b)) Discuss the extent to which the introduction of a maximum price in a market will benefit consumers. 【12】

5. (s21 qp 22-2(b)) Compare the likely effectiveness of a policy of imposing minimum prices on demerit goods with one other policy to improve public health and consider which policy is more likely to be successful. 【12】

6. (m21 qp 22-4(b)) Discuss whether government policies to influence the free market price for a good can ever improve the allocation of resources in that market. 【12】

7. (s22 qp 23-2(b)) Education and healthcare are considered to be merit goods. Discuss why merit goods are provided by both the private sector and the public sector. 【12】

8. (w21 qp 23-2(b)) Discuss the view that in a mixed economy the only role of government should be to provide public goods and the supply of merit goods should be left to the private sector. 【12】

9. (s21 qp 21-2(b)) Discuss whether the direct provision of goods and services by the government prevents the price mechanism from working effectively. 【12】

Advanced Practice （培优）· 8

Advanced Practice

1. (m24 qp 22-2(b)) Assess whether the improved provision of information is likely to be the best method to reduce the consumption of demerit goods. 【12】

2. (s23 qp 21-2(b)) Assess whether education should be classified as a public good rather than classified as a merit good. 【12】

3. (s23 qp 22-2(b)) A government wishes to keep the price of an essential food, such as rice, affordable to help low-income households. Assess whether a policy of fixing the maximum price for an essential food is likely to be more effective than a policy of making transfer payments to low-income households. 【12】

4. (w23 qp 21-3(b)) Governments sometimes fix maximum prices on goods for different reasons. Assess whether the use of a maximum price is always advantageous. 【12】

5. (s24 qp 22-2(b)) Assess the extent to which government policies to redistribute income and wealth are likely to be successful. 【12】

6. (w20 qp 23-2(b)) Discuss whether the incidence of an indirect tax on a product always affects its consumers more than its producers. 【12】

7. (w24 qp 23-2(b)) Assess whether the expected benefits of providing healthcare services free of charge at the point of use exceed the likely costs. 【12】

8. (w21 qp 22-3(b)) A government is considering whether to adopt a policy of maximum price legislation in the market for food or to provide food subsidies to alleviate hunger in a period of food shortages. Discuss whether maximum price legislation or food subsidies are more likely to alleviate hunger under these circumstances. 【12】

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. (s25 qp 21-1(b))
Explain one reason why using the Consumer Price Index (CPI) to measure the inflation rate in the US may not produce an accurate result. 【2】

- The CPI is supposed to be based on the average basket of products bought by all households (1), but as buying patterns change the basket used in the CPI may no longer be typical of all households. (1)
- The weights and products are usually updated every two or three years to reflect changes in buying patterns (1), but this may not be frequent enough if there is a rapid change in the products being bought and/or the proportion of income spent on them. (1)

Example 2. (s25 qp 24-1(b))
Explain what is meant by 'real GDP'. 【2】

- GDP refers to the total value of goods and services produced in an economy. (1)
- Real GDP is GDP corrected for / taking into account the effects of inflation / price changes. (1)
- Real GDP is Nominal GDP –rate of inflation. (2)

入门综合 · 36

1. (m21 qp 22-1(c)) Explain why deflation, as experienced by Japan, discourages consumption spending. 【2】

2. (m23 qp 22-1(d)) With the help of an AD/AS diagram, assess whether the rising inflation rate in the US has been caused by changes to the demand side or changes to the supply side of the economy. 【6】

3. (m23 qp 22-1(e)) Assess the possible consequences of a rising rate of inflation for a country such as the US. 【6】

4. (m24 qp 22-1(d)) Assess the possible impact on unemployment in Japan as a result of the increased investment in AI. 【6】

5. (s23 qp 21-1(c)) Consider the extent to which difficulties may arise in the measurement of unemployment in India. 【4】

6. (s23 qp 21-1(d)) Assess whether seasonal unemployment is likely to be a more serious problem than frictional unemployment for India' s economy. 【6】

7. (s25 qp 22-1(b)) Identify one possible impact on firms in South Africa and one possible impact on the government of South Africa of such a high rate of unemployment. 【2】

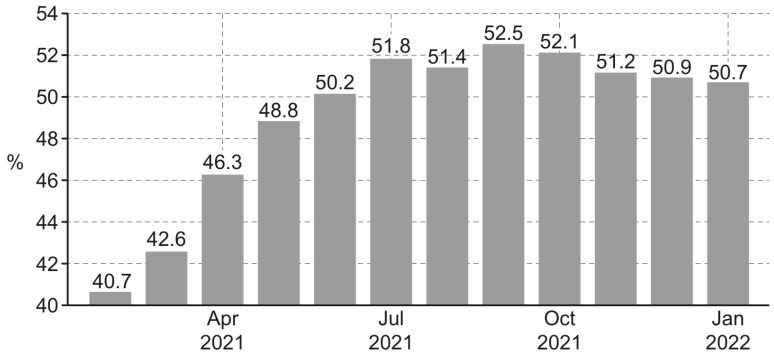
8. (s22 qp 21-1(a)) Describe the trend in the annual inflation rate of Bangladesh between 2009 and 2019. 【2】

Table 1.1: Bangladesh Annual Inflation Rate, February 2009 to 2019

Year	Inflation Rate (% change in CPI)
2009	5.4
2010	8.1
2011	11.4
2012	6.2
2013	7.5
2014	7.0
2015	6.2
2016	5.5
2017	5.7
2018	5.5
2019	5.5

Source: World Bank

9. (w24 qp 21-1(a)) Using the data in Fig. 1.1, describe the trend shown in the annual inflation rate in Argentina over the period February 2021 to January 2022. 【2】



Source: tradingeconomics.com, 19 October 2022

Fig. 1.1 Annual rate of inflation in Argentina, February 2021 to January 2022

10. (s24 qp 22-1(c)) Consider the extent to which the shortage of supply of labour in the Eurozone may have contributed towards the increasing rate of inflation. 【4】

11. (s22 qp 21-1(b)) Explain why price changes in the food and the non-food sectors in Bangladesh are treated differently when calculating the CPI. 【2】

12. (w25 qp 24-1(b)) Explain one reason why the IMF uses percentage change in real GDP and not percentage change in nominal GDP when measuring economic growth. 【2】

13. (s25 qp 22-1(a)(ii)) Compare the trend in the unemployment rate in South Africa between January 2020 and January 2022 with that between January 2022 and October 2022. 【1】

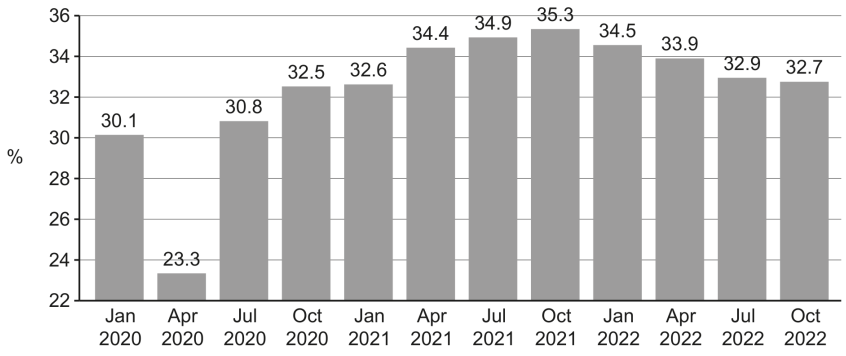


Fig. 1.1 South Africa % rate of unemployment, January 2020 to October 2022

Source: tradingeconomics.com

14. (w21 qp 21-1(a)) Explain how inflation can halve the 'real value' of money. 【2】

15. (s25 qp 22-1(a)(i)) Identify the overall change in the unemployment rate in South Africa between January 2020 and October 2022. 【1】

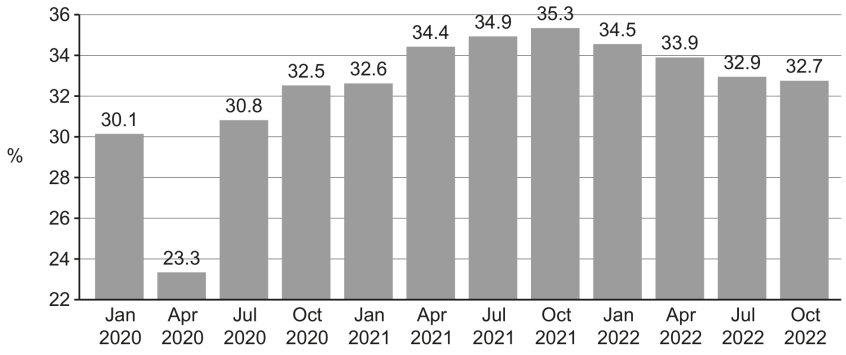


Fig. 1.1 South Africa % rate of unemployment, January 2020 to October 2022

Source: tradingeconomics.com

16. (s25 qp 21-4(a)) Explain how the circular flow of income in an economy changes when that economy moves from a closed to an open economy and consider what determines the extent of the change. 【8】

17. (s22 qp 21-1(d)) Analyse, with the help of aggregate demand and aggregate supply diagrams, how increasing wages can cause both demand-pull and cost-push inflation in Bangladesh. 【6】

18. (s25 qp 24-1(e)) Assess the possible consequences of a falling rate of unemployment for Malaysia. 【6】

19. (w23 qp 21-1(b)) Exports from Taiwan's electronics industry include gaming devices, laptops, devices that aid cloud computing and semiconductors for car production. Taiwan is able to take advantage of a global shortage of semiconductors and it is estimated that exports will grow by 9.6% in 2021, the strongest export growth since 2017. A Taiwanese company is the world' s largest producer of semiconductors, and it plans to increase its capital investment by as much as US$28 billion in 2021 to help meet the shortage of semiconductors.

    Consumption expenditure in Taiwan is also expected to grow by 3.7% in 2021 which would be the fastest rate of growth in 17 years.

    State two internal causes of economic growth for Taiwan in 2021 and consider which of these is more likely to generate long-term economic growth. 【4】

Table 1.1 Selected economic data for Taiwan, 2021

	Previous forecast (November 2020)	Latest forecast (February 2021)
Nominal GDP growth (% per year)	3.8	4.6
CPI increase (% per year)	1.2	1.3
Export sales growth (% per year)	4.6	9.6
Trade balance (US$ billion)	57.8	63.9

20. (w23 qp 21-1(e)) Assess the possible consequences of a higher rate of economic growth for an economy such as Taiwan. 【6】

21. (w23 qp 22-1(d)) Explain whether unemployment caused by the diversification of petrostates away from oil and gas production is likely to be cyclical or structural and consider which type of unemployment is likely to be more damaging to these economies. 【6】

22. (w23 qp 23-1(c)) China' s economic performance in 2020 was the exception. China was the first country to experience the pandemic. It has also been the first economy to recover from recession, a period of two consecutive quarters of negative economic growth. The Chinese government was quick to enforce lockdowns to limit the pandemic and there was rapidly increasing demand for exports of PPE (personal protection equipment) and other Chinese-made products.

State two likely economic reasons why China experienced strong economic growth starting in the second quarter of 2020 and consider which of these is likely to have generated the greater rate of growth. 【4】

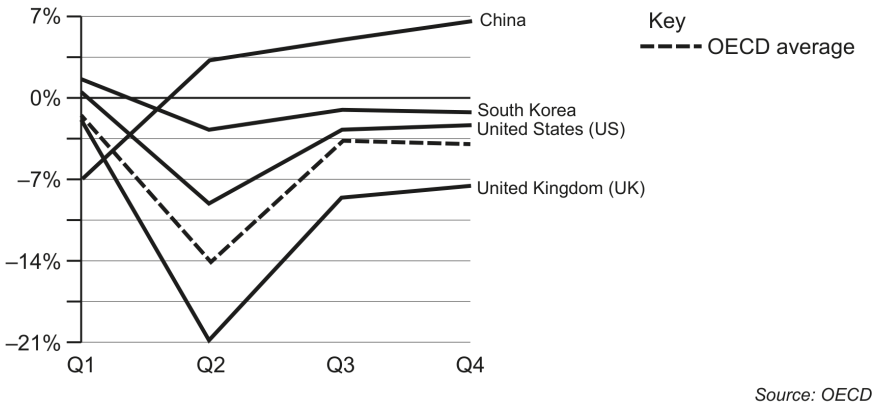


Fig. 1.1 Annual change to quarterly gross domestic product (GDP) in selected countries in 2020 compared to the OECD average.

23. (w23 qp 23-1(d)) Assess how economic recovery is likely to have affected employment and price stability in China. 【6】

24. (w24 qp 21-1(c)) Consider the extent to which having 'the fifth highest inflation rate in the world' is likely to be a problem for Argentina' s economy. 【4】

25. (w25 qp 23-4(a)) For your economy or for one that is known to you, explain three causes of inflation and consider which of these causes is likely to be most important in 2025. 【8】

26. (w24 qp 22-1(e)) Chile is the world' s biggest copper producer with 28% of global copper production and the second biggest producer of lithium with 22% of world production. Overall, mining contributes 11% of the country' s Gross Domestic Product (GDP) and more than 50% of the value of the country' s total exports. World copper and lithium prices have increased quickly since 2020. This has led to strong growth in GDP which is expected to increase by 3.5% in 2022, exceeding earlier estimates of 2.5% as world demand is expected to grow following the Covid-19 pandemic.

Economic growth in Chile has also been helped by the world' s highest rate of vaccination against Covid-19 and a rapid economic recovery from the pandemic which has led to a large increase in consumer spending.

However, the trade in goods surplus has fallen substantially in February 2022. This is mainly because of a 9.2% fall in the revenue from copper exports due to the higher prices and a fall in world demand during the Covid-19 pandemic. There has also been a 38.3% increase in the value of imported consumer goods. As a consequence, the current account deficit has widened substantially to US$7.5bn in the first quarter of 2022 from a deficit of US$1.1bn in the first quarter of 2021 despite a surplus of US$50m in the secondary income account.

Assess the likely impact of the rise in the world copper price from 2020 on the future economic growth of Chile. 【6】



Source: *tradingeconomics, April 2022*

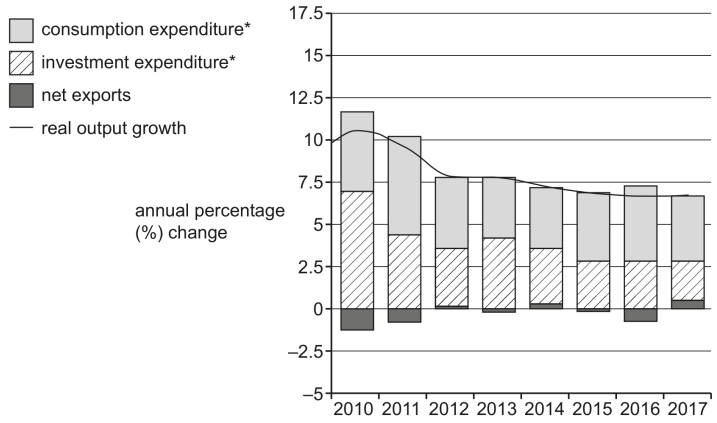
Fig 1.1: World copper price, 2017 to 2022

27. (s21 qp 21-1(e)) Using aggregate demand and aggregate supply analysis, discuss the possible impact on Vietnam' s economy of a sustained increase in its net exports. 【6】

28. (w25 qp 24-1(d)) Assess whether the costs of inflation are always likely to be greater than the benefits of inflation for the US. 【6】

29. (s25 qp 23-4(a)) Explain two causes of economic growth and consider the extent to which their impact can be measured. 【8】

30. (w21 qp 23-1(a)) Use the data in Fig. 1.1 to describe how the contribution to real output growth of the different components of aggregate demand in China has changed from 2010 to 2017. 【2】

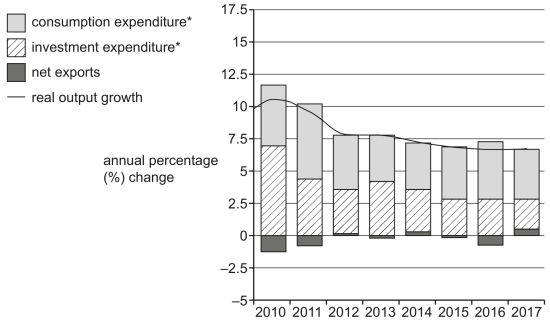


* Consumption expenditure and investment expenditure include both public sector and private sector expenditure, so government expenditure is not shown separately.

Fig. 1.1

31. (w21 qp 23-1(b)(i)) What relationship might you expect between the rate of growth in real output and sales of new cars in an economy? 【1】

32. (w21 qp 23-1(b)(ii)) Consider whether the evidence in Fig. 1.1 and Table 1.1 supports this relationship. 【2】



* Consumption expenditure and investment expenditure include both public sector and private sector expenditure, so government expenditure is not shown separately.

Fig. 1.1

Table 1.1

Year	% change
2010	33.2
2011	5.2
2012	7.1
2013	15.7
2014	9.9
2015	7.6
2016	14.9
2017	2.4

33. (w24 qp 21-4(a)) Explain two possible causes of economic growth and consider whether the consequences of economic growth for an economy will always be positive. 【8】

34. (s24 qp 21-4(a)) Explain three of the components of aggregate demand and consider the extent to which they may be increased without leading to inflation. 【8】

35. (s24 qp 21-5(a)) Explain three causes of unemployment and consider which cause is likely to be most damaging to a high-income economy. 【8】

36. (m23 qp 22-4(a)) Explain the circular flow of income in a closed economy and consider the extent to which the circular flow of income changes as an economy becomes an open economy. 【8】

Further Practice （进阶）· 9

Further Practice

1. (w23 qp 22-5(a)) With the help of a diagram(s), explain one reason for an increase in aggregate demand and one reason for an increase in aggregate supply and consider whether an increase in aggregate demand will always lead to inflation. 【8】

2. (w24 qp 23-4(a)) In 2021, year-on-year inflation in many economies increased to a level not experienced for fifty years. With the help of a diagram, explain what is meant by cost-push inflation and consider whether this type of inflation has affected your own economy since 2021. 【8】

3. (s23 qp 21-4(a)) With the help of an AD/AS diagram(s), explain cost-push inflation and demand-pull inflation in an economy and consider in what circumstances one may be more damaging than the other. 【8】

4. (s22 qp 23-3(a)) Explain the difference between cost-push inflation and demand-pull inflation. 【8】

5. (s21 qp 23-3(a)) Explain what is meant by aggregate supply and explain one reason why the aggregate supply curve of an economy would shift outwards in (i) the short run, and (ii) the long run. 【8】

6. (w25 qp 21-4(a)) Explain the possible causes of frictional unemployment and technological unemployment and consider whether some element of frictional unemployment is inevitable in an economy. 【8】

7. (s24 qp 22-4(a)) With the help of a diagram, explain what is meant by the circular flow of income in an open economy and consider the extent to which it can explain economic growth in such an economy. 【8】

8. (s24 qp 23-4(a)) With the help of a diagram, explain how increases in aggregate demand affect the level of real output and the price level in an economy and consider when such increases may become a problem. 【8】

9. (s25 qp 22-4(a)) With the help of an AD/AS diagram(s), explain one demand-side and one supply-side cause of deflation and consider which is likely to be more damaging to an economy. 【8】

Advanced Practice （培优）· 8

Advanced Practice

1. (m23 qp 22-4(b)) Assess whether the consequences of economic growth for an economy are always positive. 【12】

2. (m24 qp 22-5(b)) Assess whether economic growth is always desirable for an economy. 【12】

3. (s25 qp 23-4(b)) Assess the extent to which economic growth is always beneficial for the people and government in an economy. 【12】

4. (s25 qp 24-4(b)) Assess whether the consequences of inflation in an economy are always negative. 【12】

5. (w25 qp 21-4(b)) Assess whether the consequences of technological unemployment are likely to be more serious than those of cyclical unemployment. 【12】

6. (w25 qp 22-5(b)) Assess the view that the effects of a high rate of inflation are always more damaging for consumers than for firms. 【12】

7. (w23 qp 22-5(b)) Assess whether the internal effects of inflation are more serious than the external effects of inflation for an economy. 【12】

8. (w24 qp 23-4(b)) Assess whether the potential benefits of an increasing rate of inflation outweigh the potential costs for an economy. 【12】

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 ⇒ mrt > art. Direct vs indirect; current vs capital G.
- Fiscal: $G\uparrow$ / $T\downarrow$ ⇒ AD right; opposite ⇒ AD left.
- Monetary: interest rate, money supply, credit rules. Lower i / easier credit ⇒ AD right.
- Supply-side: training, infrastructure, technology ⇒ LRAS right.

Worked Examples 例题

Example 1. (s25 qp 21-5(b))
Assess whether expansionary fiscal policy always benefits an economy. 【12】

Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question.

AO1 and AO2 out of 8 marks. AO3 out of 4 marks.

Indicative content Responses may include:

AO1 Knowledge and understanding and AO2 Analysis

Potential advantages of an expansionary fiscal policy:

• Lower taxes/higher government spending will increase AD in an economy. • Higher AD could lead to lower unemployment.

Potential disadvantages of an expansionary fiscal policy:

• The budget deficit will need to be financed, which will increase the national debt. • The increase in AD could be inflationary.

Level 1 responses will be assertive and lacking in explanations/mainly descriptive and/or mainly lacking in relevance to the question.

Level 2 responses may contain some inaccuracies and may be one sided. Analysis will be explained at least in part and will be largely relevant to the question.

Level 3 responses will consider alternative policies/concepts etc. and will be balanced. Explanations of points raised will be offered and will be accurate and relevant to the question.

Accept all valid responses.

AO3 Evaluation

• The effect on an economy will depend on the extent of the expansionary fiscal policy. • A recognition that expansionary fiscal policy can have both advantages and disadvantages. • In conclusion, whether an expansionary fiscal policy is always beneficial to an economy.

Accept all valid responses.

(Up to 4 marks)

Example 2. (w24 qp 21-4(b))
Assess whether a government should always aim for an expansionary fiscal policy rather than a contractionary fiscal policy. 【12】

Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question. AO1 and AO2 out of 8 marks. AO3 out of 4 marks.

Indicative content Responses may include:

AO1 Knowledge and understanding and AO2 Analysis

Explanation of when an expansionary fiscal policy would be appropriate, and how such a policy would work, such as: • to increase aggregate demand (AD) • to increase economic growth • to increase employment • to increase inflation • to encourage exports and imports.

Explanation of when a contractionary fiscal policy would be appropriate, and how such a policy would work, such as: • to reduce aggregate demand (AD) • to reduce economic growth • to reduce employment • to reduce inflation • to discourage exports and imports.

Level 1 responses will be assertive and lacking in explanations/mainly descriptive and/or mainly lacking in relevance to the question.

Level 2 responses may contain some inaccuracies and will be one-sided. Analysis will be explained at least in part and will be largely relevant to the question.

Level 3 responses will consider alternative policies/concepts etc. and will be balanced. Explanations of points raised will be offered and will be accurate and relevant to the question.

AO3 Evaluation

• Consideration of when a government should aim for an expansionary policy and when a government should aim for a contractionary one. • In conclusion, which approach will be better for particular economic situations.

Accept all valid responses. A one-sided response cannot gain any marks for evaluation.

入门综合 · 36

1. (s22 qp 21-1(e)) 'However, there is always the possibility that tough monetary policies could do more harm than good to an economy, compared with the possible use of fiscal policy.' Discuss whether monetary policy or fiscal policy is more likely to be effective in controlling inflation. 【6】

2. (s25 qp 21-1(e)) Assess whether the Federal Reserve setting an inflation target as part of its monetary policy is likely to be helpful for the US economy. 【6】

3. (s24 qp 23-1(d)) Excluding interest rate changes, assess what alternative policies might be used to reduce Turkey's rate of inflation. 【6】

4. (s24 qp 21-1(e)) Assess the extent to which supply-side policies will be able to 'lead Sri Lanka back into economic growth'. 【6】

5. (w24 qp 21-1(e)) Assess the potential benefits and limitations of using monetary policy to control inflation in a country such as Argentina. 【6】

6. (w25 qp 24-1(e)) Assess the extent to which maintaining interest rates at a high level will be the best policy for the US to control inflation. 【6】

7. (s25 qp 21-1(d)) Assess whether increases in the interest rate make a recession in the US inevitable. 【6】

8. (m23 qp 22-1(c)) Consider the extent to which an increase in interest rates could reduce the rate of inflation in the US. 【4】

9. (w21 qp 21-1(d)) Using aggregate demand and aggregate supply analysis, discuss whether it is possible to use monetary policy to achieve both a high level of investment and a low rate of inflation. 【6】

10. (w23 qp 23-1(e)) Assess whether monetary policies are the best way for high-income countries such as the US and the UK to produce an economic recovery. 【6】

11. (s24 qp 22-1(e)) Assess the advantages and disadvantages of the ECB 'substantially' increasing the interest rate to control rising inflation. 【6】

12. (s25 qp 21-1(c)) 'In an attempt to bring about disinflation, the Federal Reserve used a contractionary monetary policy.' Consider whether disinflation is more harmful than deflation. 【4】

13. (m22 qp 22-1(e)) Discuss, with the help of an aggregate demand and aggregate supply diagram, whether further cuts in Turkey's interest rate are likely to 'generate inflation' or 'speed up the economic recovery'. 【6】

14. (m21 qp 22-1(e)) Discuss how continuing with an expansionary monetary policy is expected to boost inflation and consider whether it is likely to be successful. 【6】

15. (s23 qp 22-1(d)) Assess whether using supply-side policy is the best way to diversify the Nigerian economy away from its dependence on oil and natural gas exports. 【6】

16. (w21 qp 22-1(c)) The government has promised that it would cut income tax to ensure greater purchasing power and some economists believe that the government should also consider cutting business taxes in the next budget, which will be announced in July 2019. These measures should act as a stimulus for the economy.

India' s government has promised to spend US$1.44 trillion to build roads and other infrastructure such as bridges and street lighting, but India' s large budget deficit might restrict the government' s options. Many observers say that this money will have to come from the private sector. Experts say that the widening fiscal deficit will hold back medium-term and long-term growth.

Weak exports have also been a problem when it comes to creating jobs. In response the government is expected to prioritise policies that will make Indian businesses more competitive.

Using the information, identify one policy that could be considered a supply-side measure and explain how this policy could make Indian businesses more competitive. 【3】

Table 1.1: India – components of aggregate demand as % of total demand

Components of aggregate demand as % of total demand	Quarter 4 2018	Quarter 1 2019
Consumption expenditure	58.9%	56.8%
Investment expenditure	34.5%	31.8%
Government expenditure	9.7%	9.9%
Export expenditure	21.8%	20.0%

17. (w20 qp 21-1(d)(i)) Explain what is meant by a ‘budget deficit’. 【2】

18. (w21 qp 22-1(d)) Discuss whether the advantages of cutting interest rates in the Indian economy would outweigh the disadvantages. 【6】

19. (m21 qp 22-1(f)) Discuss whether increases in government spending can offset risks to Japan’s economy if a downturn in foreign economies occurs. 【6】

20. (s25 qp 21-5(a)) Explain the difference between a budget surplus and a budget deficit and consider the extent to which a budget surplus is better than a budget deficit. 【8】

21. (s25 qp 24-4(a)) Explain why expenditure on education and training is a supply-side policy and consider why its impact on the general price level may differ between the short run and the long run. 【8】

22. (m25 qp 22-5(a)) With the help of an AD/AS diagram, explain what is meant by an expansionary fiscal policy and consider the extent to which an expansionary fiscal policy will always increase the level of aggregate demand. 【8】

23. (s21 qp 22-4(a)) Explain what is meant by deflation and use aggregate demand and aggregate supply diagrams to explain how it might arise in an economy. 【8】

24. (m24 qp 22-5(a)) With the help of an aggregate demand and aggregate supply diagram, explain how a decrease in interest rates could cause economic growth and consider whether economic growth will always result in inflation. 【8】

25. (w21 qp 22-4(a)) Explain what is meant by inflation and, using diagrams, show how it can arise both as a result of a shift in the aggregate demand curve and a shift in the aggregate supply curve. 【8】

26. (s23 qp 23-5(a)) Explain how monetary policy may be able to reduce the rate of inflation in an economy and consider the likely success of this policy. 【8】

27. (w25 qp 23-4(b)) Assess whether supply-side policy or demand-side policy is the better way of reducing this inflation. 【12】

28. (w25 qp 24-5(b)) Low unemployment is a macroeconomic policy objective for a government. Assess the extent to which this is most likely to be achieved by supply-side policy. 【12】

29. (s23 qp 21-4(b)) Assess whether monetary policy or supply-side policy is likely to be more successful in reducing the rate of inflation in an economy. 【12】

30. (m25 qp 22-5(b)) Assess the extent to which supply-side policy is the best method to reduce the rate of inflation. 【12】

31. (s25 qp 22-4(b)) Assess the extent to which using fiscal policy would be the best way to reduce a high rate of inflation. 【12】

32. (s21 qp 22-4(b)) Discuss whether a government should use monetary policy or fiscal policy to solve the problem of deflation in an economy. 【12】

33. (s24 qp 23-4(b)) Assess whether increases in aggregate demand are the best way of reducing unemployment in a high-income country. 【12】

34. (w24 qp 22-4(b)) Assess whether supply-side policy is likely to be equally successful in reducing both structural and cyclical unemployment. 【12】

35. (s24 qp 22-4(b)) Assess whether supply-side policy is the most effective way to achieve long-run economic growth. 【12】

36. (w23 qp 21-4(b)) Assess whether a government should always aim to balance its budget rather than have a budget surplus or a budget deficit. 【12】

Further Practice （进阶）· 9

Further Practice

1. (s24 qp 21-4(b)) The Chinese government has re-emphasised its commitment to rebalancing the economy from one focused mainly on investment and exports to one aiming to increase the proportion spent on domestic consumption. Assess the extent to which it would be possible to achieve this by fiscal policy alone. 【12】

2. (m24 qp 22-4(b)) Assess whether contractionary fiscal policy is likely to be the best way to reduce a current account deficit on the balance of payments. 【12】

3. (w22 qp 23-3(b)) Discuss whether an increase in direct taxes or an increase in interest rates is the more effective way of reducing inflation. 【12】

4. (w23 qp 23-4(b)) Assess whether supply-side policy is the only way of reducing long-term unemployment in an economy. 【12】

5. (s23 qp 22-5(b)) Assess whether monetary policy is the only way to control a high rate of inflation. 【12】

6. (m23 qp 22-5(b)) Assess whether supply-side policies are the most effective way to correct a deficit on the current account of the balance of payments of an economy. 【12】

7. (s21 qp 23-3(b)) Discuss whether an increase in aggregate demand would be of overall benefit for an economy. 【12】

8. (m22 qp 22-3(b)) Discuss the advantages and disadvantages of protecting an industry such as steel and consider whether the protection will be of overall benefit to this economy. 【12】

9. (s24 qp 21-5(b)) Assess which expansionary macroeconomic policy would be most likely to enable a government to meet its economic objective of a low rate of unemployment. 【12】

Advanced Practice （培优）· 8

Advanced Practice

1. (s22 qp 23-3(b)) Discuss whether a contractionary monetary policy is the best way to reduce the rate of inflation. 【12】

2. (w22 qp 22-3(b)) Discuss the advantages and disadvantages that result from a rise in an economy' s terms of trade and consider whether a rise is likely to be of overall benefit to an economy. 【12】

3. (w22 qp 21-3(b)) Discuss whether supply side policies will be successful in increasing the quantity and quality of the factor enterprise in a modern economy. 【12】

4. (w24 qp 22-5(b)) Assess whether the achievement of a balanced budget should always be a main government macroeconomic objective. 【12】

5. (s21 qp 21-4(b)) Discuss how likely it is that monetary policy would be successful in reducing inflation in an economy with a floating exchange rate. 【12】

6. (s23 qp 23-5(b)) Assess how governments use macroeconomic intervention to achieve their macroeconomic objectives. 【12】

7. (m21 qp 22-2(b)) Discuss the view that supply side policies to increase the supply of labour to an economy are likely to be more successful than those designed to increase the supply of entrepreneurship. 【12】

8. (w20 qp 23-3(b)) Discuss the extent to which a supply-side policy involving new road schemes and new training schemes will increase the rate of inflation in the economy. 【12】

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. (No Marshall–Lerner / J-curve; no fixed or managed exchange-rate systems.)

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 ⇒ AD right; appreciation ⇒ AD left.
- Correct a CA deficit: contractionary fiscal / monetary; supply-side; protectionism.

Worked Examples 例题

Example 1. (m24 qp 22-1(e))
Assess the likely impact of the growth of AI on the specialisation and trade of a country such as Japan. 【6】

Up to 3 marks for a clear explanation of the potential benefits of AI on both specialisation and trade of a country. E.g., increased levels of productivity, impact on costs/prices, development of comparative advantages, improvements in international competitiveness etc.

Up to 3 marks for a clear explanation of the potential drawbacks of AI on both specialisation and trade of a country. E.g., problems of over-specialisation –excessive use of non-renewable resources, over-reliance on one industry; implications for structural unemployment

Max of 5 marks plus 1 for Evaluated Conclusion.

Example 2. (s21 qp 21-1(c))
Explain how complying with administrative burdens on trade will affect Vietnam' s supply of fruit and vegetables for export. 【2】

Higher costs of production will shift supply to the left and decrease the amount available to export. (Up to 2 marks)

Possible effects could include: • fruit and vegetable exporters could face additional costs in satisfying administrative burdens on trade • these could include strict hygiene and food safety regulations • this could bring about an increase in the price of the products • regulations could, however, lead to a higher quality of products being supplied

入门综合 · 36

1. (w23 qp 21-1(c)) Explain why the Taiwan dollar appreciated in 2020. 【2】

2. (s24 qp 21-1(b)) Explain what is meant by 'Sri Lanka has enjoyed a comparative advantage in growing and exporting tea.'. 【2】

3. (s24 qp 21-1(c)) Consider the extent to which depreciation of the Sri Lankan rupee could improve the country's balance of trade in goods and services. 【4】

4. (w24 qp 22-1(b)) Consider the likely success of one policy that Chile could use to reduce the imports of consumer goods. 【4】

5. (s25 qp 22-1(c)) Consider whether continued falls in the value of the South African rand may lead to a reduction in the current account deficit of the balance of payments. 【4】

6. (m25 qp 22-1(e)) Assess the extent to which a fall in the value of the US dollar against the euro is likely to affect US imports of olive oil from the EU. 【6】

7. (w25 qp 22-1(e)) Assess the advantages and disadvantages of Ivory Coast continuing to specialise in the production and export of cocoa beans. 【6】

8. (w23 qp 21-1(d)) Assess whether the effects of the appreciation of the Taiwan dollar on the terms of trade will benefit all industries in Taiwan. 【6】

9. (s24 qp 21-1(d)) Assess whether the removal of all protectionism is likely to reduce the balance of trade deficit. 【6】

10. (s25 qp 22-1(d)) Assess the extent to which closer membership of the AfCFTA may help South Africa to achieve the growth needed to ‘escape from its economic difficulties’. 【6】

11. (w25 qp 24-4(a)) Using two tools of protection, explain what is meant by protectionism and consider the extent to which these two tools may benefit an economy. 【8】

12. (w25 qp 23-5(a)) Explain two reasons why an economy may have a deficit on the current account of its balance of payments and consider whether its government is likely to be concerned about this deficit. 【8】

13. (w25 qp 22-4(a)) Explain three components of the current account of the balance of payments and consider the extent to which a depreciation in the exchange rate will always lead to a surplus on the current account. 【8】

14. (w25 qp 21-5(a)) Explain two tools of protection used by a country when trading internationally and consider whether one is likely to have more of an impact on the country' s economy than the other. 【8】

15. (s25 qp 24-5(a)) With the help of a formula, explain the causes of an improvement in the terms of trade in an economy and consider whether such an improvement can ever be harmful to an economy. 【8】

16. (s25 qp 23-5(a)) The terms of trade index for an economy changed from 105 to 110 in a given year. Explain two likely reasons for this change and consider the extent to which the change is likely to benefit the current account of the balance of payments of this economy. 【8】

17. (s25 qp 22-5(a)) With the help of a diagram, explain two ways in which a fall in the balance of trade in goods may affect the value of a floating exchange rate and consider the extent to which a change in the relative rate of interest between two countries may have a greater impact on the exchange rate. 【8】

18. (s21 qp 23-4(a)) Explain how a free trade area differs from a customs union and explain two reasons why countries move towards tariff-free trade. 【8】

19. (m25 qp 22-4(a)) With the help of a formula, explain two reasons for an improvement in the terms of trade and consider the extent to which an improvement in the terms of trade will benefit an economy. 【8】

20. (w24 qp 23-5(a)) Explain two methods of protection in international trade and consider which of these is likely to have the bigger impact on employment and output in the economy which imposes them. 【8】

21. (w24 qp 21-5(a)) Explain the potential advantages of free trade and consider whether such advantages are always greater than the potential disadvantages of free trade. 【8】

22. (s24 qp 23-5(a)) Explain two possible causes of a change in the terms of trade in an economy and consider which of these causes is likely to be more important for low-income countries. 【8】

23. (s24 qp 22-5(a)) Explain what is meant by protectionism and consider the effectiveness of using tariffs as a method of protectionism. 【8】

24. (m24 qp 22-4(a)) Explain what is meant by a depreciation of the exchange rate and consider whether a depreciation is likely to increase domestic real output. 【8】

25. (w23 qp 23-5(a)) Explain how import tariffs might correct an imbalance in the current account of the balance of payments and consider whether these tariffs are the best way of correcting such an imbalance. 【8】

26. (w23 qp 22-4(a)) Explain the difference between the terms of trade and the balance of trade in goods and consider whether an economy should be more concerned about its terms of trade than its balance of trade in goods. 【8】

27. (w23 qp 21-5(a)) Explain the difference between an import tariff and an import quota and consider why a government would choose an import tariff rather than an import quota as a tool of protection in international trade. 【8】

28. (s23 qp 22-4(a)) Two countries each produce two products and wish to trade with each other. Explain the difference between the principles of absolute advantage and comparative advantage and consider whether the principle of comparative advantage is always the more important influence when each country is deciding whether to trade with each other. 【8】

29. (s23 qp 22-5(a)) Explain the difference between cost-push and demand-pull inflation and consider which is more likely to occur if there is a depreciation in the exchange rate of a country with few natural resources. 【8】

30. (s23 qp 21-5(a)) With the help of a diagram(s), explain the likely causes of a depreciation of a floating exchange rate and consider whether such a depreciation is always beneficial to an economy. 【8】

31. (m23 qp 22-5(a)) With the help of a diagram, explain what is meant by an appreciation of a floating exchange rate and consider whether a country can only benefit from the appreciation of its currency. 【8】

32. (w22 qp 23-4(a)) Explain how a higher rate of inflation in an economy compared to its trading partners and a decline in the exchange rate will each affect the terms of trade in an economy. 【8】

33. (w22 qp 22-4(a)) Explain how this economy' s exchange rate is likely to be affected when its inflation rate is much higher than inflation rates in its trading partners. 【8】

34. (w22 qp 21-4(a)) Explain, with the use of a diagram(s), two factors that could bring about a depreciation in the value of a country' s exchange rate in a freely floating exchange rate system. 【8】

35. (s22 qp 23-4(a)) Explain why some countries consistently have a deficit on the current account of the balance of payments. 【8】

36. (s22 qp 22-4(a)) An economy moves from a deficit to a surplus on the current account of the balance of payments. Explain what is meant by a surplus on the current account of the balance of payments and consider the possible impact on the level of employment and prices when there is a change from a deficit to a surplus current account balance in an economy. 【8】

Further Practice （进阶）· 9

Further Practice

1. (w25 qp 24-4(b)) Assess the extent to which the principle of comparative advantage should be the main factor to consider when countries decide whether to trade with each other. 【12】

2. (w25 qp 21-5(b)) Assess whether all consumers, all producers and the government in a country will benefit equally from protectionism. 【12】

3. (w25 qp 22-4(b)) Assess the extent to which the use of supply-side policy would be the best way to reduce a deficit on the current account of the balance of payments. 【12】

4. (w25 qp 23-5(b)) Assess whether it is better to use protectionist policies or contractionary policies to reduce a deficit on the current account of the balance of payments. 【12】

5. (s25 qp 23-5(b)) Assess whether government policy can influence an economy' s comparative advantage in a good or service. 【12】

6. (s25 qp 22-5(b)) Assess whether an improvement in the terms of trade or a surplus on the current account of the balance of payments is of more benefit to an economy. 【12】

7. (s25 qp 24-5(b)) Assess whether the depreciation of an exchange rate is always beneficial to an economy. 【12】

8. (s25 qp 21-4(b)) Assess whether the potential benefits of free trade always outweigh the arguments for protectionism. 【12】

9. (m25 qp 22-4(b)) Assess the extent to which the consequences of free trade are always positive for an economy. 【12】

Advanced Practice （培优）· 8

Advanced Practice

1. (w24 qp 23-5(b)) Assess whether protectionism is always the best way of reducing a deficit on the current account of the balance of payments. 【12】

2. (w24 qp 21-5(b)) Assess whether an economy will always benefit from having a surplus on the current account of its balance of payments. 【12】

3. (s24 qp 23-5(b)) Assess the extent to which different tools of protection can impact on the terms of trade in an economy. 【12】

4. (s24 qp 22-5(b)) Assess whether free trade is always better than a policy of protectionism for a developing economy that wishes to trade internationally. 【12】

5. (s23 qp 21-5(b)) Assess whether the arguments for protectionism in the context of international trade are always stronger than the arguments against. 【12】

6. (s23 qp 22-4(b)) Assess whether protectionism is the best way to correct a deficit in the current account of the balance of payments. 【12】

7. (w23 qp 22-4(b)) Assess whether a rise or a fall in the terms of trade will benefit the macroeconomic performance of an open economy that is heavily dependent on international trade. 【12】

8. (w23 qp 23-5(b)) A country has a persistent deficit on the current account of its balance of payments. Assess the likely consequences for the domestic and external economy of this country. 【12】