

Economics

Section II (continued)

Marks

Question 23 (10 marks)

The table gives selected data for a closed economy.

Year	Income (Y) (\$m)	Consumption (C) (\$m)	Savings (S) (\$m)	Investment (I) (\$m)
1	400	360	40	200
2	500	420	80	200
3	600	480	120	200

- (a) Write the formula for the simple multiplier (k).

1

$$K = \frac{1}{MPS} \quad K = \frac{1}{1-MPC}$$

- (b) Use the information in the table to calculate the value of the simple multiplier for this economy.

1

$$K = \frac{1}{MPS} \quad K = \frac{1}{240 \text{ million}} \quad K = 240 \text{ million}$$

- (c) Outline how the simple multiplier can affect economic activity.

2

It can give a readout of how much a particular sector in the economy is saving or consuming which after comparing each of them, can show in which areas in the economy need change.

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Question 23 (continued)

- (d) Explain ONE benefit of economic growth to an economy.

2

A benefit of economic growth is that it can cause an increase in production, thus increasing the need for labour. This will then decrease unemployment.

- (e) Explain the impact of economic growth on ecologically sustainable development.

4

There is also the impacts on eco growth the ecologically sustainable development. In most cases when economies are efficiently producing they don't take into account how much pollution and pollutant runoff they are causing. This is sometimes called the 'spill over effect'. As society grows we are demanding more and it is the externalities the economy doesn't account for when trees are dying and water ways polluted.

End of Question 23