

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

$$\frac{MPS}{MPC} \times \frac{100}{I} =$$

- (b) Use the information in the table to calculate the value of the simple multiplier for this economy. 1

$$0.8$$

- (c) Outline how the simple multiplier can affect economic activity. 2

The simple multiplier can affect economic activity as it shows how income increases over time and how much is being spent (Consumption) and saved. It shows peoples level of consumption and this influences the level of economic activity.

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Question 23 (continued)

- (d) Explain ONE benefit of economic growth to an economy. 2

One benefit of economic growth is that the quality of life is improving. Education, healthcare, infrastructure will improve as the economy grows.

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- (e) Explain the impact of economic growth on ecologically sustainable development. 4

Economic growth and ecologically sustainable development are conflicts that the government must face. As the economy grows things such as forests can become destroyed, over fishing can occur, pollution, soil salinity. As the economy grows the government must make sure that there is no damage done for future generations.

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End of Question 23