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**

$$K = 1 / (1 - MPC)$$

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

$$K = 1 / (1 - \frac{60}{100})$$
$$= 1 \div 40$$

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

The simple multiplier can affect economic activity by changing the mpc of an economy. By doing so, the change then effects all other factors such as Y, S and I. These changes all then influence the growth of the economic activity.

Question 23 (continued)

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

One benefit of economic growth is an increase in living standards. An increase in living standards occurs as the economic growth ↑ because of firms producing ~~greater~~ stronger output and using factors of production efficiently.

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

The impact of economic growth on ecologically sustainable development can be devistating if not protected. With the increasing economic growth comes the utilisation of FOP, and especcaly all the non-renewable resources such as oil, coal and forests. If these FOP are not protected than they become exhausted and future generations could not enjoy the benefits of having these natural resources. Even renewable resources could be also be ~~remna~~ exhausted because of over ~~usasge~~ ~~usage~~ useage and exploitation. Externalities are associated with economic

End of Question 23

growth, so ~~it must be~~ economic growth must comprimise with todays needs and the future generations needs. in order to keep a sustainable development of the environment.

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