

Question Based Classnotes

List Key Terms

1	Taxes	8
2	Legislation	9
3	Block markets	10
4	MSC	Possible Diagrams
5		1
6		2
7		3

Instructions:

Complete items 1-4 carefully planning in terms of key terms, examples and diagrams. Only then do item 5 write the answer to the Big Question in paragraph form. Score your answer out of 10 or 15 marks. Use the webnotes on the submarker to help your answer.

Syllabus Topic/Item no(s): **1, 4**

Which item numbers from syllabus are relevant here?

Big question: Explain 3 of the possible solutions for market failure

Use this box as you need: Diagram work or written notes to help answer the 'Big Question'

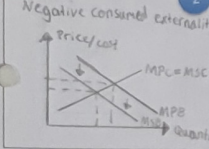
Problems

- Legislation to ban consumption of a good
- Less likely to vote for the government
- Block markets
- High rate of job loss

- Taxing goods or services
- Will not manage to reduce quantity to MSC
- Job losses
- Block market

- Negative advertising
- High cost
- Would possibly not have high effect

Draw Diagram to connect with Big Question



Explain connection of diagram to 'Big Question':

Negative externality is causing harm to you and the people around you. This are over-produced and the government is trying to reduce them by interest in the market

5 What is the answer to the Big Question? (write the answer clearly; use information you have prepared above e.g. diagrams + definition + example)

When a negative externality occur it's the governments job to try and control the overconsumption of the demerit good. The government may intervene by putting a ban on the good for the good to be stopped completely. When a government intervenes there will always follow a bunch of problems, for example by banning a good the government will less voters, block markets will occur and there will be a high rate of job losses. Another solution would be for the government to tax the good. This would raise the governments revenue, but won't reduce the consumption to the requirements (MSC), as demerit goods tends to be inelastic. It will also create unemployment and block markets. A third solution would be negative advertising for the good, for example pictures of Black lungs on a cigarette pack. This is shown to be not as effective and with high costs

Webnote 99 (v5)

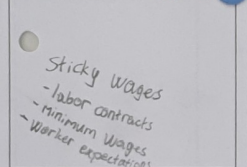
Find a Real-world example to connect with Big Question:

Question Based Classnotes

List Key Terms

1	Wealth effect	8	business taxes
2	Real interest rate	9	government regulation
3	Net export effect	10	
4	C + I + G + (X - M)	Possible Diagrams	
5	SRAS	1	AD shift & movement
6	income	2	SRAS movement
7	Sticky wages	3	wages rate

Draw Diagram to connect with Big Question:



Explain connection of diagram to 'Big Question':

wages can't just be changed depending on price levels. You have fixed wage periods in the short-run

5 What part of the answer to the Big Question? (write the answer clearly; use information you have prepared above e.g. diagrams + definition + example). Write in paragraph form as in an examination. As not enough space/time is available write ONE paragraph below as part of your answer.

You can see movement in the AD curve (figure 1) when price levels increases or decreases. The average households purchase more goods when price decrease as they feel richer vice versa. The same happens to Real interest rate as they raise the interest rate when price increase. Net export also gets affected as less foreigners wants to purchase goods from the country when prices rise ($PL_1 > PL_2$ & $Y_1 > Y_2$). A Shift happens when one of the factors $C + I + G + (X - M)$ changes (figure 2). A movement in short-run AS happens when price level increases, income increases as well and vice versa. Factors that can shift SRAS is changes in resource cost. Meaning changes in cost of raw materials, energy prices, transport. Other things such as business taxes, wage rates, government regulations and exchange rates (figure 4)

Instructions:

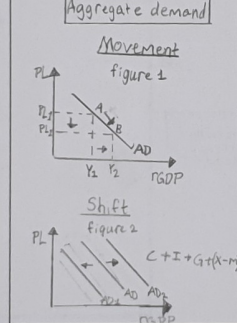
Complete items 1-4 carefully planning in terms of key terms, examples and diagrams. Only then do item 5 write the answer to the Big Question in paragraph form. Score your answer out of 10 or 15 marks. Use the webnotes on the submarker to help your answer.

Syllabus Topic/Item no(s): **1, 2**

Which item numbers from syllabus are relevant here?

Big question: What factors cause changes (Shift + movements) in AS and AD

Use this box as you need: Diagram work or written notes to help answer the 'Big Question'



Webnote 99 (v6)

Find a Real-world example to connect with Big Question:

Question Based Classnotes

List Key Terms

1	AS	8
2	AD	9
3	GDP	10
4	YFE	Possible Diagrams
5	Multiplier	1 Keynesian
6		2
7		3

Draw Diagram to connect with Big Question:



Explain connection of diagram to 'Big Question':

Government operating at full employment.

5 What part of the answer to the Big Question? (write the answer clearly; use information you have prepared above e.g. diagrams + definition + example). Write in paragraph form as in an examination. As not enough space/time is available write ONE paragraph below as part of your answer.

4) In economics a multiplier broadly refers to an economic factor that when increased or changed causes increases or changes in many other related economic variables. In terms of GDP, the multiplier causes gains in total output to be greater than the change in spending that caused it.

3) As gov. spending increases the aggregate demand shifts as seen in figure 1. When it reaches the point of Full employment (YFE) the economy can't grow anymore. Looking at figure 1 we can see point A, B and C from which the economy wants to be right at the turning point from B to C. C is maximum capacity, however C has the risk of inflation.

Instructions:

Complete items 1-4 carefully planning in terms of key terms, examples and diagrams. Only then do item 5 write the answer to the Big Question in paragraph form. Score your answer out of 10 or 15 marks. Use the webnotes on the submarker to help your answer.

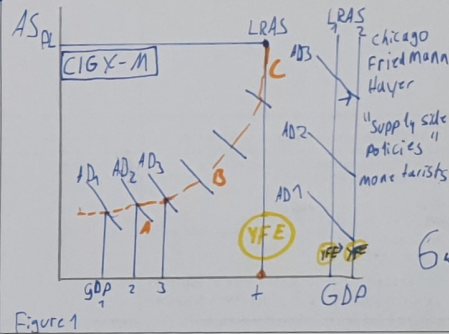
Syllabus Topic/Item no(s): **2, 2**

Which item numbers from syllabus are relevant here?

3) Draw & explain the 2 schools of economics in relation to the AB/AS Model!

4) What is the multiplier

Use this box as you need: Diagram work or written notes to help answer the 'Big Question'



5 What part of the answer to the Big Question? (write the answer clearly; use information you have prepared above e.g. diagrams + definition + example). Write in paragraph form as in an examination. As not enough space/time is available write ONE paragraph below as part of your answer.

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