1 What is an example of a normative statement?

A Government expenditure is an injection into the circular flow of income.

B Government expenditure in India in 2022 was 29% of gross domestic product.

C The best policy measure to reduce inflation is a reduction in government expenditure.

D The United States of America is the country with the highest military expenditure.

15 What is an example of an injection into the circular flow of income in an open economy?

A consumer spending on goods

B expenditure on a government construction project

C spending by households on holidays abroad

D repayment of loans to commercial banks

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19 A government is planning to increase its expenditure on defence. Half of this expenditure will be on equipment such as planes and weapons which it will have to import as it does not produce this equipment domestically.

What is the initial impact on injections and leakages from the circular flow of income?

A The initial rise in injections is greater than the initial rise in leakages.

B The initial rise in injections is greater than the initial fall in leakages.

C The initial rise in injections is smaller than the initial rise in leakages.

D The initial rise in injections is smaller than the initial fall in leakages.

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15 What is an example of a transfer payment?

A a household moving savings from one bank account to another

B a monthly repayment on a loan used to buy a new cooker

C the amount paid to transport goods from one city to another

D grants paid to students by the government

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17 Based on the circular flow of income, which condition is necessary for an open economy to be in equilibrium?

A Government investment is equal to private investment.

B Planned injections are equal to planned withdrawals.

C Spending by households is equal to taxes collected by government.

D Value of export earnings is equal to expenditure on imports.

27 What is most likely to lead to a persistent surplus in a country's current account of its balance of payments?

A a low domestic savings rate

B an undervalued exchange rate

C highly protectionist policies by other countries

D low investment income from abroad