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Question 1 (Answer: **C**)

- A normative statement contains a value judgement – a claim about what *should* happen.
- Positive statements are factual and testable, even if the fact is hard to measure.
- So the statement using words like "should", "unfair" or "too much" is the normative one.

Question 15 (Answer: **B**)

- Injections into the circular flow are investment, government spending and exports.
- Government spending on a construction project is a direct injection.
- Consumer spending is already inside the flow, and saving is a withdrawal.

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Question 19 (Answer: **A**)

- Government spending is an injection, so aggregate demand rises.
- But half of it is spent on *imports*, which is a withdrawal from the circular flow.
- So only the domestically spent half raises national income, and the current account worsens.

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Question 15 (Answer: **D**)

- A transfer payment is money paid without any good or service being provided in return.
- So it is not payment for output and does not count in GDP.
- A state benefit or pension is a transfer; a loan repayment or a purchase is not.

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Question 17 (Answer: **B**)

- In an open economy the injections are investment, government spending and exports.
- The withdrawals are saving, taxation and imports.
- Equilibrium requires planned injections to equal planned withdrawals in total, not item by item.

Question 27 (Answer: **B**)

- A persistent current account surplus means exports keep exceeding imports.
- An undervalued exchange rate makes exports cheap and imports dear, year after year.
- A high savings rate has the same effect, since saving rather than spending reduces import demand.