

## Economics: supported transfer

Original focus rehearsal; native prerequisites and source boundaries remain explicit

# 1 · Choice, models and market adjustment: method

## method

A model specifies variables and holds other relevant influences constant. Scarcity requires choice; opportunity cost is the benefit of the next-best alternative. Marginal choice compares additional benefit and cost. A positive statement can in principle be tested; a normative statement adds a value judgement. Consumer and firm objectives are model assumptions, not a claim that everyone calculates perfectly.

Use all linked prerequisite lessons for the complete mapped method.

# 1 · Choice, models and market adjustment: worked question

## worked question

In an original market model,  $Q_d = 140 - 2P$  and  $Q_s = 20 + 4P$ , where  $P$  is currency units per item and  $Q$  is items per day. Explain equilibrium and a price of 15.

Pause and state a method before the answer.

# 1 · Choice, models and market adjustment: worked reasoning

## worked reasoning

Equilibrium requires  $Q_d = Q_s$ . Thus  $140 - 2P = 20 + 4P$ ;  $120 = 6P$ ;  $P = 20$  currency units/item.  $Q_d = 140 - 2(20) = 100$  items/day and  $Q_s = 20 + 4(20) = 100$  items/day. At  $P = 15$ ,  $Q_d = 110$  and  $Q_s = 80$  items/day, giving excess demand  $= 110 - 80 = 30$  items/day. In the simple adjustment story, buyers bid up price or suppliers change prices; quantities then move along unchanged curves. A demand shift requires a different determinant, such as income or preferences. Shortages do not prove instantaneous adjustment or unrestricted competition.

Check units, assumptions and the scope of the conclusion.

# 1 · Choice, models and market adjustment: transfer

## transfer

A publicity campaign raises demand while a supplier's input costs increase. Explain why equilibrium quantity cannot be predicted from these directions alone and describe the diagram.

Pause and write a reasoned individual answer.

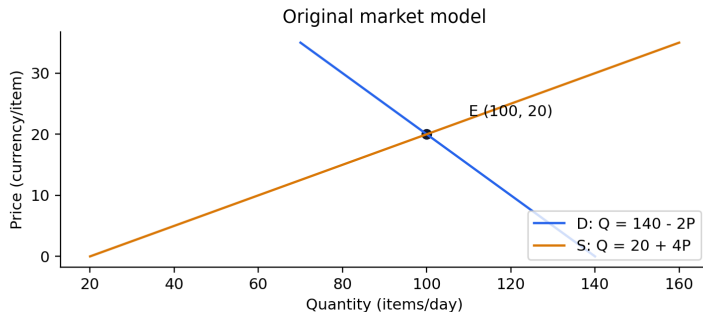
# 1 · Choice, models and market adjustment: transfer review

## transfer review

Demand shifts right and supply shifts left on axes of price and quantity. Both changes tend to raise equilibrium price, but their quantity effects oppose one another. Draw both new curves and compare relative shifts before judging quantity. Identify the unchanged determinants and time horizon. A large demand increase can outweigh the supply contraction; a large contraction can reverse that result. Do not confuse a movement caused by the new equilibrium price with a second demand shift.

Accept justified alternatives; these are original formative expectations.

# 1 · Choice, models and market adjustment: model representation



Original fictional model; quantities, units and assumptions are specified in the worked case.

## 2 · Elasticity, welfare and policy: method

### method

Percentage changes need a stated convention. PED uses quantity demanded and own price on the same demand relation; PES uses quantity supplied. YED and cross-price elasticity compare different determinants. A unit tax creates a price wedge; relative responsiveness shapes burden. An externality concerns third-party costs/benefits, not merely an expensive transaction. Public goods and information failure have different mechanisms.

Use all linked prerequisite lessons for the complete mapped method.

## 2 · Elasticity, welfare and policy: worked question

### worked question

An original market's pre-tax price is 10. After a unit tax, consumers pay 12 and producers receive 9. Calculate the wedge and burden, then qualify a welfare claim.

Pause and state a method before the answer.

## 2 · Elasticity, welfare and policy: worked reasoning

### worked reasoning

Tax per item=consumer price—producer receipt= $12-9=3$  currency units/item.  
Consumer burden= $12-10=2$  units/item; producer burden= $10-9=1$  unit/item. The stated burden split concerns this equilibrium, not a universal tax rule. Tax revenue=tax per item $\times$ post-tax quantity; that quantity must be known. Revenue is a transfer, while welfare effects require changes in surplus, resource use and any external harm. A corrective tax can reduce inefficient overproduction, but only with the relevant external-cost model and evidence. Collection cost, evasion and access matter. Check units, assumptions and the scope of the conclusion.

## 2 · Elasticity, welfare and policy: transfer

### transfer

A subsidy expands a product with an unpriced external cost. Is greater output necessarily a welfare gain? Compare a better-targeted policy.

Pause and write a reasoned individual answer.

## 2 · Elasticity, welfare and policy: transfer review

### transfer review

Greater output can increase external harm even if consumers and producers gain privately. Identify marginal social/private costs and the efficient versus market quantity before judging. A targeted charge or standard may address the harm more directly, subject to measurement, enforcement and distribution. A subsidy for a cleaner alternative might help through a different mechanism; its fiscal and behavioural effects still need evaluation. IGCSE pupils use the supported private/external/social distinction; detailed marginal welfare geometry belongs only where the course's mapped outcomes authorize it.

Accept justified alternatives; these are original formative expectations.

## 2 · Elasticity, welfare and policy: model representation

Original tax wedge: prices, not a welfare-area diagram



Per-item burden: consumer 2; producer 1. Quantity not supplied.

Original fictional model; quantities, units and assumptions are specified in the worked case.

### 3 · Output measures, spending and the multiplier: method

#### method

Nominal GDP includes price changes; real GDP adjusts them; per-capita GDP also accounts for population. GDP and GNI differ in their income boundary. Comparisons need consistent dates, definitions and purchasing-power treatment where applicable. AD includes  $C+I+G+(X-M)$ ; real output response depends on aggregate supply and spare capacity.

Use all linked prerequisite lessons for the complete mapped method.

### 3 · Output measures, spending and the multiplier: worked question

#### worked question

An original economy's nominal GDP index rises from 100 to 112, its deflator from 100 to 108 and its population index from 100 to 102. Calculate real and real-per-capita changes.

Pause and state a method before the answer.

### 3 · Output measures, spending and the multiplier: worked reasoning

#### worked reasoning

Real GDP growth factor=nominal factor/price factor= $1.12/1.08=1.037037$ . Real growth= $(1.037037-1)\times 100\%=3.70\%$ . Real-per-capita factor=real factor/population factor= $1.037037/1.02=1.016703$ . Per-capita real growth= $(1.016703-1)\times 100\%=1.67\%$ . Dividing indices avoids treating an approximation as exact. Neither figure gives income distribution, unpaid output or environmental quality. For IAL's simple closed multiplier model,  $k=1/(1-MPC)$ ; with  $MPC=.75$ ,  $k=4$  and a 10-million-unit injection gives modelled  $\Delta Y=4\times 10=40$  million units. This requires the stated model, not a guarantee.

Check units, assumptions and the scope of the conclusion.

### 3 · Output measures, spending and the multiplier: transfer

#### transfer

An economy has spare capacity, but extra spending leaks into imports and saving. Explain the likely adjustment and why the simple multiplier can overpredict domestic output.

Pause and write a reasoned individual answer.

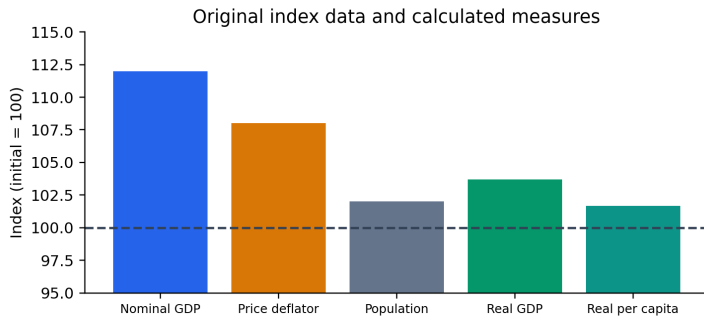
### 3 · Output measures, spending and the multiplier: transfer review

#### transfer review

An AD increase can raise domestic real output when supply can respond. Saving and imports reduce successive domestic spending rounds; tax leakages may also matter. Draw an appropriate AD/AS shift and label output and price level, qualifying the size of each response by spare capacity and bottlenecks. The simple closed model omits imports and taxes, so its  $k$  is not an unconditional domestic forecast. IGCSE work does not add the IAL multiplier as a mandatory extension.

Accept justified alternatives; these are original formative expectations.

### 3 · Output measures, spending and the multiplier: model representation



Original fictional model; quantities, units and assumptions are specified in the worked case.

## 4 · Inflation, unemployment and policy judgement: method

### method

Disinflation means slower price rises; deflation means a falling general price level. Unemployment requires the applicable labour-force definition; an inactive person is not automatically unemployed. Fiscal policy affects spending/taxation, monetary policy affects interest/monetary conditions, and supply-side measures target productive capability or incentives. The cause of the problem and lags matter.

Use all linked prerequisite lessons for the complete mapped method.

## 4 · Inflation, unemployment and policy judgement: worked question

### worked question

In a fictional economy, inflation falls from 8% to 3% while imported energy remains costly. Evaluate the claim that prices fell and that a higher policy rate repairs the energy shortage.

Pause and state a method before the answer.

## 4 · Inflation, unemployment and policy judgement: worked reasoning

### worked reasoning

Positive inflation at 3% means the general price level still rises, more slowly than at 8%. A higher rate can reduce interest-sensitive spending, shifting AD left relative to the counterfactual; it does not itself increase energy supply. It may limit second-round demand pressure but can reduce output and employment. Effects depend on debt, confidence, exchange-rate responses and transmission lags. Compare targeted support or feasible supply measures, considering finance, incentives and implementation. A conditional judgement weighs the source of inflation and the cost of weak demand rather than declaring rates universally effective.

Check units, assumptions and the scope of the conclusion.

## 4 · Inflation, unemployment and policy judgement: transfer

### transfer

A training programme is proposed during a demand-driven downturn. Give a short-run limitation, a longer-run mechanism and a qualified policy mix.

Pause and write a reasoned individual answer.

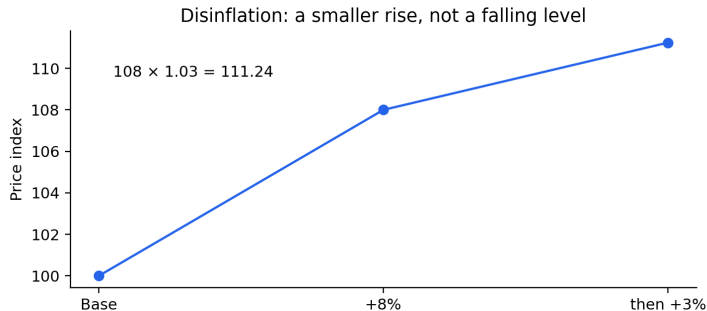
## 4 · Inflation, unemployment and policy judgement: transfer review

### transfer review

Training can improve skills and employability over time, especially where structural mismatch exists. It cannot by itself guarantee vacancies when firms lack demand, and completion/placement take time. Appropriate temporary demand support could complement training if finances, inflation and delivery allow, while targeted design checks actual vacancies and access. Evaluate employment outcomes rather than course enrolments alone. Explain trade-offs with budget, distribution and stability; this is authored evaluation, not a prescribed official essay formula.

Accept justified alternatives; these are original formative expectations.

## 4 · Inflation, unemployment and policy judgement: model representation



Original fictional model; quantities, units and assumptions are specified in the worked case.

## 5 · Firms, costs, growth and competition: method

### method

Total, average and marginal measures answer different questions. Profit=total revenue—total cost. Additional output is justified in a profit-maximizing model by incremental revenue and cost, subject to relevant conditions; higher sales do not guarantee higher profit. Size, ownership and integration affect finance, control, risk and coordination. Market power and contestability require evidence about alternatives and entry, not firm size alone.

Use all linked prerequisite lessons for the complete mapped method.

## 5 · Firms, costs, growth and competition: worked question

### worked question

In an original short-run table, fixed cost is 60 currency units. At  $Q=10$  items, variable cost is 140; at  $Q=12$ , variable cost is 168. Calculate costs and interpret the change.

Pause and state a method before the answer.

## 5 · Firms, costs, growth and competition: worked reasoning

### worked reasoning

$TC = TFC + TVC$ ;  $TC$  at 10 =  $60 + 140 = 200$  units.  $ATC = TC/Q$ ;  $ATC$  at 10 =  $200/10 = 20$  units/item. At 12,  $TC = 60 + 168 = 228$  units and  $ATC = 228/12 = 19$  units/item. Interval  $MC = \Delta TC / \Delta Q = (228 - 200) / (12 - 10) = 14$  units/item.

$AVC = TVC/Q = 140/10 = 168/12 = 14$  units/item.  $AFC$  falls from  $60/10 = 6$  to  $60/12 = 5$  units/item, lowering  $ATC$ . These are table intervals, not a claim about a smooth derivative or all output levels. Productivity and profit need their own measures.

Check units, assumptions and the scope of the conclusion.

## 5 · Firms, costs, growth and competition: transfer

### transfer

A firm expands through acquisition and lowers unit costs but loses customers after quality problems. Evaluate growth rather than assuming economies of scale guarantee success.

Pause and write a reasoned individual answer.

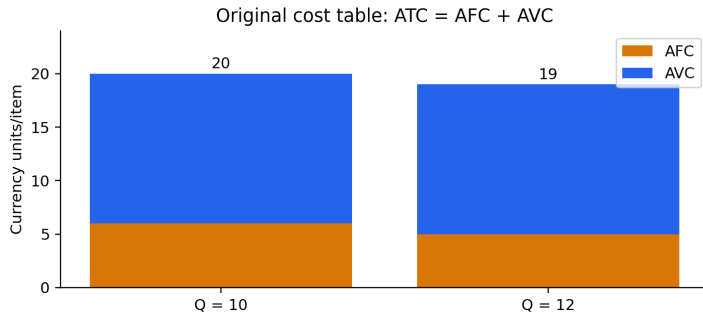
## 5 · Firms, costs, growth and competition: transfer review

### transfer review

Lower long-run average cost can improve competitiveness, but revenue depends on demand and quality. Acquisition can add finance, capacity and coordination risks; integration does not automatically improve management. Compare margins, quality, customer response, entry barriers and alternative organic growth. A small niche firm may rationally remain small. Supported IAL WEC13 targets in this topic are reused; its six still-unsupported objectives and all remaining IA2 gaps stay held, rather than being inferred from this case.

Accept justified alternatives; these are original formative expectations.

## 5 · Firms, costs, growth and competition: model representation



Original fictional model; quantities, units and assumptions are specified in the worked case.

## 6 · Introductory method (1)

### 6 · Introductory method (1)

Labour demand is derived from the output workers help produce. In the simplified price-taking output model, marginal revenue product (MRP) equals additional physical output times the constant selling price. Compare it with the relevant additional employment cost over the same time period. A wage difference alone does not establish a productivity difference: scarce skills, job conditions, bargaining and discrimination can also matter. A union can bargain collectively for pay or conditions.

## 6 · Introductory method (2)

### 6 · Introductory method (2)

Its effect depends on bargaining strength, employer response and the labour-market setting. A minimum wage is a legal wage floor. In the simple competitive model a binding floor can increase labour supplied relative to labour demanded; it does not imply the same employment response under every institutional setting. Competition policy addresses restrictions on competition through investigation and enforceable responses; it cannot be evaluated solely by counting large firms.

## 6 · Introductory method (3)

### 6 · Introductory method (3)

For each policy identify the objective, mechanism, affected people and a material limitation. These are introductory distinctions, not a substitute for the held detailed wage-setting and competition-policy targets.

## 6 · Introductory worked question

### worked question

One additional worker produces eight saleable units per day, each adding 12 currency units of revenue. The wage is 80 currency units/day and additional administration costs 10/day. Calculate the additional contribution before other costs and state a hiring condition.

Pause before the model.

## 6 · Introductory worked reasoning

### worked reasoning

$\text{MRP} = 8 \text{ units/day} \times 12 \text{ currency units/unit} = 96 \text{ currency units/day}$ . Additional employment cost  $= 80 + 10 = 90 \text{ currency units/day}$ . The model's additional contribution is  $96 - 90 = 6 \text{ currency units/day}$ , before any other relevant costs. Hiring is supported only if the output can actually be sold at that marginal revenue and the full additional cost does not exceed the additional revenue. If marginal revenue falls, a constant-price calculation may overstate MRP. This is not an instruction to equate a person's worth with revenue.

Check the units and the stated model conditions.

## 6 · Introductory transfer

### transfer

A union negotiates training and a higher wage. A newspaper predicts employment must fall. Evaluate the prediction and distinguish this from a competition-policy decision.

Pause and justify your conclusion.

## 6 · Introductory transfer review

### transfer review

The higher wage raises cost, while useful training may raise saleable output or quality and therefore MRP. The employment effect needs the sizes, timing, product demand and actual employer response. Training attendance alone does not establish a productivity gain. Compare outcomes for workers retained, applicants and consumers. A competition investigation instead needs evidence of restrictive behaviour, entry and alternatives; a wage agreement alone does not establish product-market abuse. Preserve the introductory limit: detailed monopsony, union and competition-policy models remain in the full-target queue.

Keep the detailed IA2 boundary explicit.

## 6 · Introductory case table

Original introductory case: Labour and policy: introductory reasoning

| Measure                         | Original case         |
|---------------------------------|-----------------------|
| Additional output               | 8 units/day           |
| Additional revenue per unit     | 12 currency units     |
| MRP                             | 96 currency units/day |
| Wage + administration           | 90 currency units/day |
| Contribution before other costs | 6 currency units/day  |

Original fictional case table; units and assumptions are explained in the reference.

## 7 · Introductory method (1)

### 7 · Introductory method (1)

Comparative advantage means lower opportunity cost, not being absolutely faster. Calculate each country's forgone alternative in the same units. A feasible exchange between the two opportunity costs can make specialization and exchange attractive in a simplified model. Transport, adjustment, distribution and productive assumptions matter; the model does not guarantee benefits for every worker. Protection can support a named industry, but tariffs also raise some consumer or input costs and can provoke retaliation.

## 7 · Introductory method (2)

### 7 · Introductory method (2)

An infant-industry argument requires a plausible learning mechanism, a credible temporary plan and review; permanent protection is not established by the label. In a currency quotation of domestic units per foreign unit, an increase means domestic depreciation. Import costs can rise before quantities adjust; the current account also includes income and transfers, so it is not simply the goods balance. Integration can lower barriers within a group while affecting outside suppliers differently.

## 7 · Introductory method (3)

### 7 · Introductory method (3)

Evaluate the actual rule and source conditions rather than treating every agreement as identical.

## 7 · Introductory worked question

### worked question

Country A uses three worker-hours per cloth unit and six per grain unit. Country B uses four per cloth and four per grain. Calculate opportunity costs, then consider exchange of one grain unit for 1.5 cloth units, assuming constant costs and no trade costs.

Pause before the model.

## 7 · Introductory worked reasoning

### worked reasoning

In A, one cloth costs  $3/6 = 0.5$  grain and one grain costs  $6/3 = 2$  cloth. In B, one cloth costs  $4/4 = 1$  grain and one grain costs 1 cloth. A has comparative advantage in cloth; B in grain. A obtains one grain for 1.5 cloth instead of producing it at a cost of two cloth. B receives 1.5 cloth for grain costing it one cloth. The stated trade ratio lies between one and two cloth per grain. Feasible production and transport costs must still be checked; no distribution claim follows automatically.

Check the units and the stated model conditions.

## 7 · Introductory transfer

### transfer

After depreciation, import expenditure rises. A commentator calls the comparative-advantage model false and recommends a permanent tariff. Assess both leaps.

Pause and justify your conclusion.

## 7 · Introductory transfer review

### transfer review

Depreciation can raise domestic-currency import prices while contracts and limited substitutes slow quantity adjustment. Import spending alone does not establish the whole current account or refute an opportunity-cost model. A tariff recommendation needs a specific objective, effect on consumers and input users, adjustment and retaliation evidence, and a comparison with feasible alternatives. Set a review condition rather than infer permanent protection from one observation. This is introductory interpretation; detailed IA2 trade, integration and exchange-rate analysis remains held. Keep the detailed IA2 boundary explicit.

## 7 · Introductory case table

Original introductory case: Trade and exchange: introductory reasoning

| Country | Hours/cloth | Hours/grain | OC cloth  | OC grain |
|---------|-------------|-------------|-----------|----------|
| A       | 3           | 6           | 0.5 grain | 2 cloth  |
| B       | 4           | 4           | 1 grain   | 1 cloth  |

Original fictional case table; units and assumptions are explained in the reference.

## 8 · Introductory method (1)

### 8 · Introductory method (1)

Growth describes an increase in real output; development also concerns health, education, capabilities and living conditions. Absolute poverty concerns meeting basic needs, while relative poverty compares resources with a society's usual standard. Inequality describes distribution. Average real income can rise while some people remain poor, so choose a measure suited to the claim. Finance can enable investment but repayment, access, risk and currency terms matter.

## 8 · Introductory method (2)

### 8 · Introductory method (2)

Aid can fund useful services or emergency relief; its effects depend on the recipient's needs, coordination, conditions and ability to maintain provision. Debt can finance future capacity, but servicing it uses resources and foreign-currency obligations can become harder after depreciation. Institutions affect dependable implementation, rights and accountability; a name or single index does not prove a project will work. Sustainable strategies compare present benefits with maintenance, distribution and environmental consequences.

## 8 · Introductory method (3)

### 8 · Introductory method (3)

These are supported introductory mechanisms; complete development models, prescribed applications and detailed criteria remain in the held IA2 queue.

## 8 · Introductory worked question

### worked question

A fictional district has a 60-million-unit budget. A road costs 45 million and is expected to connect 200 households to markets. A clinic costs 40 million and is expected to reach 150 households. A report recommends the road because its cost per household is lower. Evaluate the decision.

Pause before the model.

## 8 · Introductory worked reasoning

### worked reasoning

Road cost per household =  $45 \text{ million} / 200 = 0.225 \text{ million units/household}$ . Clinic cost per household =  $40 \text{ million} / 150 = \text{approximately } 0.267 \text{ million units/household}$ . Both together cost  $45 + 40 = 85 \text{ million}$ , exceeding the budget by 25 million. The ratios measure different benefits, so they do not establish that the road is the better development choice. Check the main bottleneck, expected health and market effects, maintenance, access for disadvantaged households and environmental impacts. Compare feasible scaled options and financing terms; do not assume promised reach is actual reach.

Check the units and the stated model conditions.

## 8 · Introductory transfer

### transfer

A foreign-currency loan can fund both projects, but a depreciation increases domestic debt-service cost. Propose a qualified decision and an evidence-based review.

Pause and justify your conclusion.

## 8 · Introductory transfer review

### transfer review

Compare repayment and currency risk with credible project benefits and continuing service costs. Funding both now may displace later health, education or maintenance spending if debt service rises. Seek affordable terms or a feasible phased plan, examining distribution and environmental effects with affected people. Monitor actual access, health or market outcomes and repayment burden, not GDP or construction completion alone. A conditional choice explains the binding bottleneck and what evidence would change it; this case does not certify a real development programme.

Keep the detailed IA2 boundary explicit.

## 8 · Introductory case table

Original introductory case: Development strategies: introductory reasoning

| Project | Cost       | Expected reach          | Interpretation          |
|---------|------------|-------------------------|-------------------------|
| Road    | 45 million | 200 households          | 0.225 million/household |
| Clinic  | 40 million | 150 households          | 0.267 million/household |
| Both    | 85 million | Different benefit types | Budget 60 million       |

Original fictional case table; units and assumptions are explained in the reference.

## Check yourself

### Independent retrieval

A policy changes prices and incentives, but the effect differs between households. Use a relevant mechanism, a calculation where possible and a reasoned distributional judgment.

Write your reasoning before comparing it with the methods and limits taught in this lesson.