

5.1 Macroeconomic measures and policy: supported rehearsal

Name: _____ Class: _____ Date: _____ **Total: 6 marks**

Objective

Supported preparation: Use national-income measures and AD/AS; Evaluate monetary, fiscal and supply-side policies for growth, stability and inequality. This is original rehearsal, not completion of the assessed task.

1 Key knowledge and worked examples

Nominal output includes price changes; real output adjusts for prices; per-capita output divides by population. AD combines consumption, investment, government spending and net exports. Expansion can raise output and/or prices depending on spare capacity, expectations and supply conditions. Demand-side and supply-side policies operate through different mechanisms and time horizons.

Original source / task evidence

Task: nominal GDP rises 8%, the GDP deflator rises 5%, and population rises 2%. Estimate real and real-per-capita growth, then qualify a spending stimulus.

Separate what is stated from the interpretation.
Macroeconomic measures and policy

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Real growth factor= $1.08/1.05=1.02857$, so real growth $\approx 2.86\%$. Per-capita real factor= $(1.08/1.05)/1.02=1.00840$, so growth $\approx .84\%$. An approximation of $8-5-2=1\%$ is rougher. A stimulus can shift AD right, increasing output with spare capacity; near capacity, inflation/import leakage may dominate. Consider financing, distribution and supply bottlenecks.

2 Practice

2.1 For the worked case, identify the evidence and a conclusion it can support. Explain one material limit. ^[3]

3 Exam-style questions

3.1 Real GDP per person increases. Does this establish lower inequality and environmental improvement? Give a reasoned answer, evidence or method, and a relevant qualification. ^[3]

Solutions

2.1 Real growth factor= $1.08/1.05=1.02857$, so real growth $\approx 2.86\%$. Per-capita real factor= $(1.08/1.05)/1.02=1.00840$, so growth $\approx .84\%$. An approximation of $8-5-2=1\%$ is rougher. A stimulus can shift AD right, increasing output with spare capacity; near capacity, inflation/import leakage may dominate. Consider financing, distribution and supply bottlenecks. Authored points for identifying relevant evidence, explaining a supported inference and a material limit.

3.1 It is an average output measure, not a distribution or environmental index. Compare income shares, poverty measures and relevant environmental indicators separately. Higher average output may provide resources for improvement but does not establish their use or equal benefit. Authored points for a relevant judgement, reason tied to the case and justified qualification or method. Accept a supported alternative.