



Worksheet 3: Using economic terms

Explain the difference between the following economic statements. The first one has been completed for you.

Section 3: Microeconomic decision makers

- 1 a) Worker A has a high degree of occupational mobility.
b) Worker B has a high degree of geographical mobility.

Example: *Worker A has transferable skills to take up a job in a different industry, e.g. a bank employee can take up a job in public administration, while Worker B can commute or relocate to a different region/country to do the same job.*

- 2 a) Money acts as a store of value.
b) Money needs to possess durability.
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- 3 a) The central bank is a lender of last resort.
b) Commercial banks can lend to individuals and firms.
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- 4 a) High-income households spend a larger total amount of their income.
b) High-income households spend a smaller proportion of their income.
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- 5 a) Interest rate is the cost of borrowing money.
b) Interest rate is the reward for saving.
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- 6 a) An increase in the wages of dentists will cause a contraction of the demand for dentists.
b) An increase in the wages of dentists will cause a decrease in the supply of workers in related occupations.
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- 7 a) Division of labour increases productivity.
b) Specialisation increases total output.
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- 8 a) An increase in unemployment reduces the bargaining power of trade unions.
b) Trade unions can use collective bargaining to prevent unemployment.
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- 9 a) Horizontal mergers can reduce competition.
b) Vertical backward mergers can limit access of competitors to important sources of raw materials.
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- 10 a) Internal economies of scale occur as a result of the growth of the firm.
b) External economies of scale occur as a result of the growth of the industry.
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- 11 a) A firm increases production.
b) A firm increases productivity.
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- 12 a) Firm A employs more workers than Firm B.
b) Firm B is labour-intensive.
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- 13 a) A variable interest on a loan is a fixed cost.
b) A capital cost for purchasing a machine is also a fixed cost.
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- 14 a) Total fixed costs don't change as output increases in the short run.
b) Average fixed cost falls as output increases in the short run.
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- 15 a) Firm A is a price-taker.
b) Firm B is a price-maker.
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