



Worksheet 3: Common evaluation ideas

Match the sample sentences to the correct evaluation idea from the suggestions below. Use each idea once only.

Exceptions to the case	Recognise that the cause can determine the overall benefit/harm of a change	Recognise the work and relative power of multiple factors	Judge the extent/degree of something	Prioritise	Make justified recommendations
Concentration of effects	Distinguish between the short- and long-run effects	Justify the effectiveness of something	Circumstances could force economic agents to behave in a way different from what economic theory predicts	Recognise the importance of trends	Recognise that some effects may be difficult to quantify

- 1 A decrease in the demand for ice cream may not necessarily reduce its price if there is a simultaneous decrease in its supply of a much greater degree.

Evaluation idea: _____

- 2 An increase in government spending on education and training may increase aggregate demand and cause demand-pull inflation in the short run. However, if this succeeds in raising labour productivity and therefore increases the economy's productive capacity in the long run, inflationary pressure may be reduced.

Evaluation idea: _____

- 3 Inflation reduces real incomes, but some workers with more bargaining power may succeed in negotiating a pay rise proportionately greater than current inflation rate and therefore maintain or even increase their real incomes.

Evaluation idea: _____

- 4 A government may not be concerned about a deficit on the current account if this deficit has been continuously decreasing over the past decade.

Evaluation idea: _____

- 5 Expansionary monetary policies in the form of lowering the interest rate further may be ineffective in increasing aggregate demand if interest rates are already very low and if commercial banks are unwilling to lend more.

Evaluation idea: _____

- 6 An increase in population may not necessarily increase the demand for air travel if there is a significant simultaneous decrease in average incomes in the country.

Evaluation idea: _____



- 7 Using education to address the market failure caused by merit goods may be a better policy than making consumption obligatory because it is treating the root cause of the problem – information failure.

Evaluation idea: _____

- 8 'Good' deflation caused by supply-side reasons may be preferred to 'bad' deflation caused by demand-side reasons because in the first case total output is expected to increase.

Evaluation idea: _____

- 9 Reducing a large current account deficit may be more important than reducing the general price level if inflation is currently within target.

Evaluation idea: _____

- 10 The default objective of private sector firms is profit maximisation but a firm may be forced to pursue survival instead if it is threatened by cut-throat competition.

Evaluation idea: _____

- 11 It is difficult to measure and compare the differences and changes in living standards because some factors, e.g. the value of leisure time, may be difficult to estimate quantitatively.

Evaluation idea: _____

- 12 The negative third-party effects of a new airport may be concentrated on the geographical area around it, while the positive externalities may extend to a much larger region and therefore be experienced by more economic agents.

Evaluation idea: _____