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## Worksheet 7: Spotting analysis

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1 A decrease in income reduces the demand for luxury holidays because fewer people are interested in them.

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2 An increase in the number of firms in an industry is caused by a rightward shift of the industry supply curve.

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3 If a tax on a price elastic product is imposed, government tax revenue increases.

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4 Market failure can be caused by demerit goods because they are overconsumed due to information failure and too many scarce resources are allocated to economically undesirable output.

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5 Secretaries earn less than doctors because they work less.

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6 A decrease in price increases the firm's profit.

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7 An increase in price reduces the quantity demanded of a product because the firm's total revenue decreases.

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8 An increase in government spending on education increases wages, costs of production and inflation.

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9 A fall in aggregate demand can reduce economic growth because it leads to a fall in national output, so fewer goods and services are produced.

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10 Higher spending on education leads to increased taxation.

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11 Lower interest rates may not increase spending.

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12 Effective supply-side policies increase long-run aggregate supply and therefore, the economy's productive capacity increases, leading to reduced inflationary pressure.

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13 Economic growth can be caused by an advancement in technology.

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14 Demand-pull inflation is caused by higher spending.

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15 Higher GDP per head leads to longer life expectancy.

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16 A decrease in unemployment benefits can reduce poverty, as it increases incentives to work and encourages the unemployed to take up jobs, which increases their earnings.

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17 An increase in exports leads to a surplus on the current account of the balance of payments.

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