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## Worksheet 7: Language of evaluation

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Read the sentences and underline the word(s)/phrase(s) that demonstrate evaluation in each sentence.

- 1 The PPC of a country may stay unchanged despite a rightward shift caused by rapid technological advance if there is a simultaneous depletion of a key resource, causing a leftward shift of the same degree.
- 2 The price of housing may rise despite an increase in supply if there is a greater proportionate rise in demand caused by, e.g. an increase in incomes.
- 3 Greater storage capacity is unlikely to lead to a large increase in the price elasticity of supply for a farmer growing perishable fruit because the produce cannot be stored for long. A more successful method to increase price elasticity of supply would be to build greenhouses to protect the produce from adverse weather conditions.
- 4 Although providing information to solve the underconsumption of merit goods treats the root cause of the problem, it is too dependent on the receptivity of consumers and therefore a more effective short-term measure could be mandating the consumption of the goods.
- 5 Regulations to address market failure would be effective if their benefits outweigh the enforcement costs.
- 6 A culture of saving would increase the importance of store of value as a function of money.
- 7 An increase in the wages of nurses reduces the relative wage differential with doctors and is more likely to be used as a strong argument in favour of doctors' demands for higher wages.
- 8 A horizontal merger is likely to be of overall benefit to consumers if the government exercises effective measures to prevent the abuse of monopoly power.
- 9 If fixed costs take a large proportion of total costs, the firm is likely to be of a size to take advantage of economies of scale.
- 10 The firms' objectives are dynamic and profit maximisation may be abandoned in the short run in favour of protecting market share from competitors.
- 11 Governments in less economically developed countries with persistent poverty are more likely to prioritise redistribution of income and reducing unemployment over sustainable economic growth.
- 12 An increase in the occupational mobility of labour would be more likely to reduce structural unemployment, while its effectiveness on reducing cyclical unemployment may be more limited.



- 13 Low, stable and anticipated demand-pull inflation is less harmful to an economy than double-digit deflation caused by a fall in aggregate demand.
- 14 Contractionary monetary policy aimed at reducing total demand by decreasing consumption is likely to be more successful in curbing demand-pull inflation in countries with large a domestic market where consumption forms a significant proportion of aggregate demand.
- 15 The significant time lag of some supply-side policies like education and training means it is sometimes difficult to accurately predict the timing and effectiveness of their results.
- 16 An increase in real GDP per head may not necessarily improve standards of living if it is accompanied by high pollution levels, worsening the population's health.
- 17 Old age is less likely to be a significant cause of poverty in high-income countries where good healthcare enables senior citizens to work past retirement age and earn income.
- 18 The benefits of trade protection are likely to outweigh the potential costs if the country doesn't face trade retaliation and if local firms don't become over-reliant on the protection measures.
- 19 A rise in the exchange rate does not necessarily reduce export competitiveness if there is a greater simultaneous increase in domestic productivity, which translates into lower unit cost of exports.
- 20 A current account deficit may be a more serious concern for the government than a high inflation rate if the deficit is caused by a loss of international competitiveness, while the inflation rate has a decreasing trend.