

Worksheet 8: Using command words answers

Which command word is being used?	Sample answer
<i>Define</i>	Scarcity is the basic economic problem, which is limited resources versus unlimited wants.
<i>State or identify</i>	Two factors of production are labour and capital.
<i>Discuss</i>	<p>An advantage of economic growth is an increase in real GDP / head, which increases average incomes and enables households to buy more goods and services.</p> <p>On the other hand, economic growth from polluting industrial activities can lead to external costs like damage to the environment and poor health, thus worsening standards of living.</p>
<i>Describe</i>	One characteristic of a monopoly is that it is a price maker and can control prices.
<i>Calculate</i>	$\text{PED} = \% \text{ change in quantity demanded} / \% \text{ change in price} = +10\% / -20\% = -0.5\%$
<i>Identify or state</i>	Two direct taxes are income tax and corporate tax.
<i>Analyse</i>	A cut in interest rates decreases the cost of borrowing, which enables firms to access cheaper financial capital and increase investment. This leads to higher aggregate demand, which results in economic growth if the economy has spare capacity.
<i>Explain</i>	One reason for the increase in wages of doctors is an increase in the demand for doctors due to more hospitals opened.
<i>Give</i>	Two macroeconomic policies used by the government of Country X are monetary and fiscal policy.