



Worksheet 9: Critical judgement

Read the statements and suggest reasons why the expected outcomes may not occur.

- 1 An increase in the profitability of a product is likely to attract more firms to the industry and increase market supply.

Reason(s) why an increase in the profitability of a product may not increase market supply:

- 2 A worker is likely to choose a job with a higher wage.

Reason(s) why the worker may not choose the job despite the higher wage:

- 3 Government's attempts to address market failure are likely to improve consumers' living standards.

Reason(s) why fixing market failure may not improve living standards:



- 4 A decrease in costs is likely to increase a firm's profit.

Reason(s) why a decrease in costs may not increase the firm's profits:

- 5 An increase in interest rates is likely to increase saving.

Reason(s) why increased interest rates may not increase saving:

- 6 An increase in taxes is likely to increase government tax revenue.

Reason(s) why higher taxes may not increase government tax revenue:



- 7 An increase in government spending is likely to decrease unemployment.

Reason(s) why higher government spending may not decrease unemployment:

- 8 Higher economic growth is likely to improve standards of living.

Reason(s) why higher economic growth may not improve standards of living:

- 9 A fall in a country's exchange rate is likely to increase its exports.

Reason(s) why a fall in the exchange rate may not succeed in increasing exports:



- 10 An increase in import tariffs is likely to reduce a country's current account deficit.
Reason(s) why higher tariffs may not reduce a country's current account deficit:
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