



Worksheet 3: Chains of analysis

(Change in) Economic concept	... (may) lead(s) to	... which may/result(s) in ...	Therefore, ...
Net immigration	<i>Increase in population</i>	<i>More of the resource labour available</i>	The economy's PPC shifts to the right
Cut in interest rates			Investment in capital goods increases
Increase in demand			Equilibrium price increases
A surplus			Price decreases
Increase in price			Total revenue increases
Information failure			The market has failed
Deregulation			The likelihood of abuse of monopoly power decreases
Division of labour			Living standards increase
Increase in unemployment			Average wages decrease
Increase in the size of the firm			Selling price decreases
A change towards more capital-intensive production			Total costs increase
Existence of monopoly			Consumers pay higher prices
Expansionary fiscal policy			Economic growth



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Contractionary monetary policy			Greater unemployment
Supply-side policy			Reduced poverty
Decrease in incomes abroad			Causing a recession in the domestic economy
Frictional unemployment			Increasing an individual's standard of living
Increase in cost of imported raw materials			Decreasing export competitiveness
Greater indebtedness of developing countries			Lowering living standards in developing countries
Lack of access to healthcare			Creating a poverty trap
Low living standards			Increasing a country's dependency ratio
Reduction in quotas			Growth of infant industries
Decrease in the exchange rate			Worsening the Balance of Trade deficit