



## Worksheet 3: Economic events answers

Sr. No.	Economic event	Diagram(s)– No.
1.	Increase in potential output	1, 11
2.	Increase in actual output	3, 9
3.	Imports becoming expensive	9, 12, 15 (7 if single product)
4.	Fall in interest rates	1, 9, 11, 14, 16
5.	A firm raising wages of workers	7
6.	Demand pull inflation	9
7.	Cost push inflation	12
8.	Income tax being raised	10
9.	Good deflation	11
10.	Bad deflation	10
11.	Incomes/price levels in other countries rising	9, 13, 14
12.	A country imposing trade barriers on its imports	9, 12, 15
13.	Fall in exchange rates	9, 12
14.	Higher inflation rate	14, 16
15.	Government giving subsidies to its exports	9, 13 (or 8 if single product)
16.	Government deciding to sell foreign currencies	9, 12, 13
17.	Decrease in unemployment OR increase in output	3, 9, 11
18.	Government raising its spending on education/infrastructure	1, 9, 11
19.	Rise in budget deficit	9
20.	Rise in trade deficit	10, 14, 16
21.	Contractionary monetary policy	2, 10, 12, 13, 15
22.	Expansionary fiscal policy	9
23.	Contractionary fiscal policy (budget surplus)	10
24.	Increase in the price of a substitute	5
25.	Increase in income	5 OR 6