2 In 2019 the marginal propensity to consume in the UK was estimated to be 0.8.

(a) Define the term 'marginal propensity to consume'.

(1)

....

....

....

....

(b) Explain **one** likely factor that could increase the level of consumption of UK households.

(2)

....

....

....

....

....

....

....

(c) Using the above data, which **one** of the following represents the value of the multiplier?

(1)

☒ **A** 0.2

☒ **B** 0.8

☒ **C** 1.3

☒ **D** 5.0

(Total for Question 2 = 4 marks)

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4 Business investment fell by 0.5% between Quarter 3 2019 and Quarter 4 2019.

(Source: adapted from https://www.ons.gov.uk)

(a) Define the term 'investment'.

(1)

....

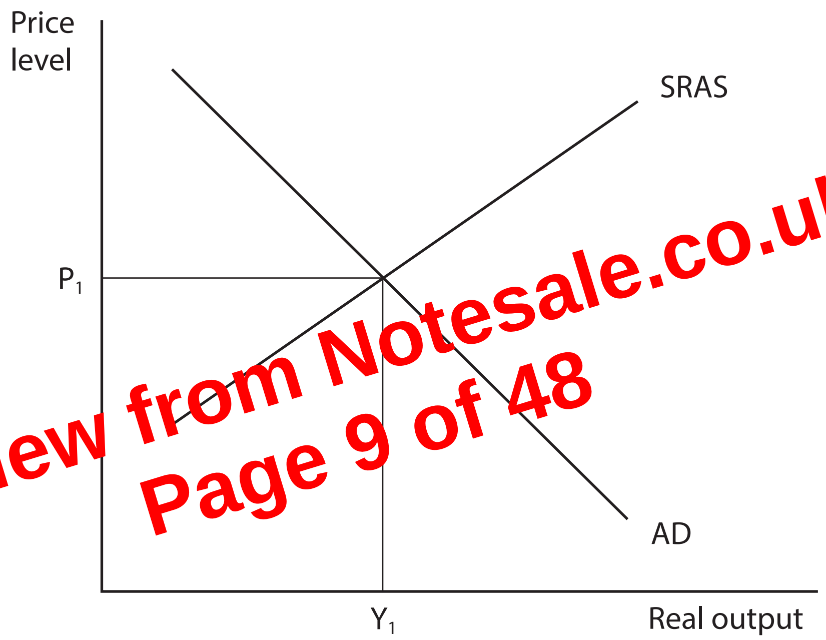
....

....

....

(b) Annotate the aggregate demand (AD) and short-run aggregate supply (SRAS) diagram below to show the likely impact of a fall in business investment on the equilibrium level of real output and the price level.

(2)



(c) Which **one** of the following factors might have caused business investment in the UK to fall?

(1)

☒ **A** A decrease in business expectations

☒ **B** A decrease in government regulations

☒ **C** An increase in the demand for exports

☒ **D** An increase in the rate of economic growth

(Total for Question 4 = 4 marks)

(d) Explain **one** reason why 'the fall in the exchange rate of the British pound' (Extract A, line 21) is likely to increase inflation.

(5)

(e) Discuss factors, **apart from** changes in real wages, which the MPC may have considered when changing the base interest rate.

(15)

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	undervalue real output (1) • In some countries, wealth is concentrated in the hands of a few high income households (1)	**(3)**