

CHAPTER 35 Balanced Regional Development

Study guide

This chapter merely brings together many of the ideas discussed earlier. You should read it in conjunction with Chapter 9 and Chapter 20. While regional imbalance is basically the result of frictions in the operation of the price system, the 'multiplier' effect of spending on different regions must also be recognised.

Government policy for areas of high unemployment is continually changing. At present it is tending towards regional development around 'growth' points. The EU 'Single Market' will accentuate the necessity for regional aid especially through the European Regional Fund.

CHAPTER 35 Questions

1. Which type of unemployment is most closely linked to the regional problem?
2. What is the main obstacle to market forces solving the regional problem?
3. What are the three main reasons for the occurrence of a regional problem?
4. If workers move from low-wage to high-wage industries and areas, what problems might arise?
5. How can occupational mobility of labour be improved?
6. How can geographical mobility of labour be improved?
7. Generally, how do the government and the EU try to solve the regional problem?
8. How does the Financial Instrument for Fisheries help the regional problem?
9. Is there a European regional problem?
10. What are the three EU Structural Funds and what are they for?

Multiple Choice Questions

11. The relocation of government offices to Assisted Areas is an example of:
- a) geographical immobility of labour;
 - b) occupational immobility of labour;
 - c) market forces;
 - d) workers to the work policy;
 - e) work to the workers policy.

12. A 'footloose' industry:

- a) is one where the advantages of particular locations are not of great importance;
- b) is one located in one particular area;
- c) is tied to a single special location;
- d) makes artificial limbs;
- e) employs disadvantaged people.

13. The regional problem in the UK is most closely associated with:

- a) seasonal unemployment;
- b) frictional unemployment;
- c) cyclical unemployment;
- d) structural unemployment;
- e) search unemployment.

14. The regional problem in the UK is most closely associated with the decline of:

- a) coal, oil and gas;
- b) steel, engineering and agriculture;
- c) coal, shipbuilding and textiles;
- d) textiles, cotton and wool;
- e) religion.

15. A policy of locating firms in depressed areas is likely to:

- a) make them more efficient;
- b) involve them in higher costs;
- c) make it hard for them to find labour;
- d) cause a downward multiplier effect in the area;
- e) reduce spending in the area.

CHAPTER 36 Public Finance

Study guide

Government expenditure depends upon policy – and that is decided by the electors. We have moved away from the Gladstonian idea that we should raise just sufficient revenue to cover expenditure. The budget is now an instrument for controlling the level of activity, as was shown in Chapter 30.

Fiscal policy can, however, have aims within the main framework of the budget. These are largely concerned with remedying defects in the price mechanism, but occasionally they involve basically subjective decisions, e.g. taxing tobacco and spirits for reasons of health, redistributing income and wealth.

You must understand the merits and demerits of different taxes and the broad structure of taxation which results. Note too, that some expenditure and taxes are 'built-in' stabilisers for cyclical fluctuations in AD.

There is an 'incidence' with all types of taxes for they must have economic effects. Usually however, the term is applied to taxes on goods and factors of production. A selective tax on a good puts up the price to buyers and reduces what sellers receive. Both, therefore, 'contribute' to the tax, the extent of this contribution – the incidence of the tax – depending upon the relative elasticities of supply and demand.

The same argument applies to taxes on factors of production, e.g. National Insurance contributions. If demand for labour is infinitely elastic, an increase in the employer's contribution will result in an equal fall in the wage-rate. On the other hand, if demand is absolutely inelastic, wages will rise to cover any increase in the employee's contribution.

CHAPTER 36 Questions

1. a. Approximately what proportion of UK gross domestic product does the government take by taxation for its own spending?
b. What limits the government's ability to take more?
2. a. What is meant by the phrase 'structure of taxation'?
b. Why is a structure of taxation necessary?
3. Distinguish between a *specific* and an *ad valorem* tax.
4. State whether (a), (b) and (c) are progressive, proportional or regressive taxes:

Income (£)	Amount	taken	in	tax
	(a)	(b)		(c)
1500	150	300		100
1000	100	100		100
500	50	zero		100

5. What three main commodities are selective indirect taxes levied on?
6. State two major advantages and two major disadvantages of direct taxes.
7. State two major advantages and two major disadvantages of indirect taxes.

8. Who bears the burden of a tax when:
- a. demand is very inelastic?
 - b. the return is wholly in the nature of economic rent?
9. For each of the following give an example of an actual tax:
- a) high-revenue yielding
 - b) certain to the taxpayer
 - c) convenient to the taxpayer
 - d) automatic in stabilising the economy
 - e) does not harm effort
 - f) equitable
10. Why might it be a problem if the marginal rate of tax exceeds the average rate of tax?

Multiple Choice Questions

11. A tax acts as an automatic stabiliser if:
- a) the total revenue from the tax falls as income increases;
 - b) the total revenue from the tax rises as income increases;
 - c) the tax rate is automatically stabilised as income changes;
 - d) the rate at which the tax is levied varies inversely with income;
 - e) people can avoid paying the tax.
12. Given a falling demand curve and a rising supply curve, a tax per unit of output will always result in:
- a) a higher equilibrium price and a lower quantity exchanged;
 - b) a lower equilibrium price and a higher quantity exchanged;
 - c) a higher equilibrium price and a higher quantity exchanged;
 - d) a lower equilibrium price and a lower quantity exchanged;
 - e) a rise in sales.
13. The burden of a tax will be greater for the consumer than the producer if:
- a) demand is inelastic and supply is inelastic;
 - b) demand is elastic and supply is inelastic;
 - c) demand is inelastic and supply is elastic;
 - d) demand is elastic and supply is elastic;
 - e) demand is perfectly elastic.

14. Inequalities in the distribution of income can be illustrated by:

- a) a demand curve;
- b) a supply curve;
- c) a total revenue curve;
- d) a Laffer curve;
- e) a Lorenz curve.

15. The largest category of government spending is:

- a) health care;
- b) transport;
- c) education;
- d) social protection;
- e) defence.

CHAPTER 37 The Nature of International Trade

Study guide

The reason why we have to make a *separate study* of international trade is that governments still act nationally in world affairs. Since international trade involves goods crossing frontiers and payment being made in the currency of other countries, it can be controlled. The object of this control is to secure the greatest advantage for the nationals of the country concerned, e.g. to improve the terms of trade, to further political ends, etc.

Note that the theory of comparative costs merely shows the possibilities of advantageous specialisation. Since it deals only with technical relationships, we cannot tell how much trade will actually take place until we know the facts of the market – the rate at which the goods of one country can be exchanged against those of another country, that is, the terms of trade.

An *improvement in the terms of trade* may not always be beneficial. If there is inflation in a country, for example, home prices rise relative to prices of imports. But if demand for the country's exports is elastic less will be spent on those exports when their price rises. There could thus be a deterioration in the balance of payments. Or an improvement in the terms of trade may be the result of a fall in the prices of imported raw materials and foodstuffs. When demand of the importing country is inelastic, incomes of primary-producing countries will fall. They in turn, therefore, can buy less exports from manufacturing countries.

Note that there are few valid economic reasons for protection. When protection is imposed it is usually as a result of other arguments.

CHAPTER 37 Questions

1. Suggest as many differences as you can between international trade and trade within a country.
2. Suppose a commodity is produced under conditions which make its supply curve an upward-sloping straight line. Show the effects on the supply curve of imposing a) a specific tariff, b) an ad valorem tariff of 50% of its value.
3. What are the main differences between customs and excise duties?
4. "Quotas are an alternative to tariffs." What are the main arguments for and against quotas?
5. Other things being equal, which of the following are likely to *improve* or *worsen* the UK's terms of trade?
 - a) a fall in world oil prices
 - b) the discovery and exploitation of large nickel deposits in Australia
 - c) A disastrous coffee bean harvest in Brazil
 - d) An unexpected increase in world demand for Rolls Royce cars
 - e) an unexpectedly good Canadian wheat harvest
6. Why should a government be wary of granting an industry's demand for protection?
7. What special advantage applies to tariff cuts secured by the World Trade Organisation (WTO)?
8. Why might governments regard the high degree of specialisation which is encouraged by free international trade to be an undesirable development?
9. Export prices fall and import prices rise. Under what circumstances might this unfavourable movement in the terms of trade have favourable effects on the balance of trade?
10. Why are the activities of the World Trade Organisation (WTO) controversial?

Multiple Choice Questions

11. An adverse movement in the terms of trade means that:
 - a) the volume of exports has fallen relative to the volume of imports;
 - b) the total value of exports has fallen relative to the total value of imports;
 - c) the average price of exports has fallen relative to the average price of imports;
 - d) the balance of trade has moved from a surplus to a deficit;
 - e) exports cost more and imports are cheaper.

12. International trade arises because:

- a) some countries can not produce some goods;
- b) trade across international frontiers is now possible;
- c) countries differ in their demand for goods and in their ability to produce them;
- d) some countries exploit other countries;
- e) over-production of goods must be exported.

13. The benefits of international trade are best explained by:

- a) the law of absolute advantage;
- b) the law of comparative costs;
- c) the principle of specialisation;
- d) the need for protectionism;
- e) transport cost differences.

14. Which of the following is *not* an advantage of international trade?

- a) it enables countries to obtain the benefits of specialisation;
- b) it enables the benefits of large-scale production to be obtained;
- c) it increases competition and efficiency;
- d) it promotes beneficial links between countries;
- e) it enables uncompetitive industries to decline gradually.

15. Which of the following is *not* an argument used to justify protectionism:

- a) to encourage production of strategic goods;
- b) to foster closer political ties with certain countries;
- c) to support political objectives;
- d) to increase competition;
- e) to promote social policies.

CHAPTER 38 The Balance of Payments

Study guide

At one time a balance-of-payments deficit/surplus referred to the balance on current account. This indicates whether a country is paying its way on income and regular expenditure. But if our concern is with the reserves (as Britain's has often been) we have also to study the 'financial account' which shows capital movements. Changes in the official reserves reflect the year's current balance and net *capital* flows.

CHAPTER 38 Questions

1. What is meant by a 'foreign currency payment to the UK'?
2. Define the terms of trade.
3. What is the 'balance of trade'?
4. What is the 'balance on current account'?
5. What is the 'balance of payments'?
6. From the following information, a) compile a balance of payments; b) give the visible balance (the balance of trade); c) calculate the deficit or surplus on current account; d) give the net loss/addition to the official reserves.

Summary of financial transactions of country X with the rest of the world, 2007 (£million)

Exports	1529
Imports	1813
Invisible receipts	772
Invisible payments	158
Loans to foreign governments	96
Investment overseas	131
Investment by foreigners in X	146
Addition to short-term balances	97
Aid given abroad	40

7. What are the two main senses in which the balance of payments always balances?
8. What is meant when the value of goods is quoted as a) 'f.o.b.' and b) 'c.i.f.' ?
9. State whether the following bring about a gain or a loss of dollars to the UK:
 - a. An American tourist buys English silverware to take home.
 - b. A British businessman tours the USA in an endeavour to obtain orders for his firm's products.
 - c. Brad Pitt flies to the UK on a British Airways flight.
 - d. The US decides to move troops from Germany to the UK.
 - e. British exports are shipped in an American cargo ship returning to the US.
 - f. Britain decides to pay increased expenses to her diplomatic staff in Washington.
 - g. Lloyds insurance brokers have a disastrous year through hurricanes hitting southern USA.
 - h. British shareholders receive a dividend from General Motors Corporation.
10. In what ways can a country's deficit on its current balance be covered?

Multiple Choice Questions

11. The 'visible balance' (the balance of trade) is:

- a) the difference in value between imports and exports;
- b) the rate at which exports exchange for imports;
- c) the difference in value between services rendered abroad and services obtained from abroad;
- d) the difference in investment flows in and out of the country;
- e) the net outflow of funds from a balance of payments deficit.

12. The balance of payments of the UK records:

- a) all the assets and liabilities of all residents of the UK;
- b) for residents of the UK, all payments to and receipts from residents outside the UK;
- c) payments to and receipts from foreign governments by the UK government;
- d) payments for exports of goods and receipts for imports of goods;
- e) all payments for services rendered abroad and services obtained from abroad.

13. The terms of trade are:

- a) the difference in value between imports and exports;
- b) the rate at which exports exchange for imports;
- c) the difference in value between services rendered abroad and services obtained from abroad;
- d) the difference in investment flows in and out of the country;
- e) the net outflow of funds from a balance of payments deficit.

14. The balance of invisible trade is:

- a) the difference in value between imports and exports;
- b) the rate at which exports exchange for imports;
- c) the difference in value between services rendered abroad and services obtained from abroad;
- d) the difference in investment flows in and out of the country;
- e) the net outflow of funds from a balance of payments deficit.

15. UK earnings from tourism are:

- a) capital movements;
- b) short-term capital movements;
- c) long-term capital movements;
- d) invisible earnings;
- e) visible earnings.

CHAPTER 39 Foreign Exchange Rates

Study guide

The foreign exchange rate is a price – the price at which one country's currency exchanges on the international market for another country's. As such, it is determined by demand and supply – the amount of that currency being wanted and the amount of it being offered for sale. Since the market is a perfect one, differences in price are eliminated quickly and easily throughout the world. The main difficulty is that the price of one currency has to be expressed in terms of another. Thus the price of the pound sterling is about \$1.85.

The fact that exchange rates do not coincide with respective purchasing powers of currencies can be seen from the following practical example. A firm in the UK, we will imagine, is sending a representative to work in the USA. How much should it pay him? If it wishes to pay him an equivalent salary, it should value his 'basket' of expenditure (including saving) in dollars, and pay him that amount of dollars. Some allowance could be made for any differences in the rate of direct taxes. Such a method would mean that a depreciation of sterling would produce a decrease in his salary in dollars although there would have been no change in the cost of his living in the USA!

CHAPTER 39 Questions

1. What are arbitrage operations?
2. In a free foreign exchange market, how would the following affect the price of sterling relative to the dollar?
 - a) an increase in UK exports to the USA;
 - b) many more US tourists visit the UK;
 - c) a British insurance company buys a large holding of shares in IBM (the American computer firm);
 - d) an American electronics firm buys a British company;
 - e) the US government makes a loan to the UK;
 - f) short-term capital flows into London from New York;
 - g) speculative capital flows from London to New York;
 - h) BOC (the British Oxygen Corporation) builds another factory in the US with funds raised in London.
3. How would more rapid inflation in the UK than the USA be likely to affect the exchange rate between the pound and the dollar?
4. What is the connection between the UK government's anti-inflation policy and the exchange rate of sterling?
5. The US dollar is a major 'reserve currency':
 - a. What is meant by a 'reserve currency'?
 - b. How can the supply of dollars as a reserve currency be increased?

6. a. What are Special Drawing Rights?
b. What is their importance in international liquidity?
7. What is meant by 'hot money'?
8. What (three) circumstances might lead to a large increase in the flow of 'hot money' into a country?
9. How are exchange rates determined according to the Purchasing Power Parity Theory?
10. A capital outflow resulting in real investment overseas will worsen the balance of payments; in the long-term, however, the effects of this may be favourable. Explain.

Multiple Choice Questions

11. The £1 sterling – dollar exchange rate rises from \$1.98 to \$2.00. This implies:

- a) British exports become cheaper;
- b) the pound has depreciated;
- c) the dollar has appreciated;
- d) the pound has appreciated;
- e) imports into Britain become more expensive.

12. Which of the following is likely to increase the value of the pound on the foreign exchanges?

- a) An increase in British interest rates;
- b) An increase in US interest rates;
- c) A rise in the British inflation rate;
- d) An increase in British imports;
- e) None of the above.

13. An increase the value of the pound on the foreign exchanges will:

- a) make US goods more expensive in Britain;
- b) make US goods cheaper in Britain;
- c) not change the price of US goods in Britain;
- d) make British goods cheaper in the US;
- e) not change the price of British goods in the US.

14. The exchange rate for the £sterling is determined by:

- a) foreign exchange dealers;
- b) arbitrage;
- c) demand and supply of £s;
- d) demand and supply of other currencies;
- e) the UK government.

15. US citizens demand for the £ sterling depends on:

- a) US demand for British imports;
- b) British citizens demand for tourist services in the US;
- c) British demand for US exports;
- d) the wealth of US citizens;
- e) the wealth of British citizens.

CHAPTER 40 The Correction of a Balance-of Payments Disequilibrium

Study guide

Note the two main lines of approach to the correction of a balance-of – payments deficit:

- (1) reducing home prices – deflation;
- (2) reducing the rate at which the currency exchanges for other currencies- depreciation/devaluation.

While the full gold-standard system finally collapsed in 1931, a ‘managed gold exchange standard’ under the IMF operated from 1945 to 1972.

You should study the pros and cons of deflation and depreciation as a means of correcting a fundamental balance- of- payments disequilibrium.

The former slows fixed exchange rates and thus facilitates international trade. But deflation to correct an adverse balance means unemployment or, at least, putting the brakes on growth. It also has international repercussions, spreading deflation to other countries through the lack of demand for their exports. Thus the IMF system sought to stabilise exchange rates, but allowed adjustments to exchange rates to be carried out in accordance with agreed rules and at infrequent intervals.

CHAPTER 40

1. Why does the UK hold gold and foreign currency reserves?
2. Suggest four different ways in which a country having a recurrent surplus on its balance of payments could help countries with persistent deficits.
3. What is the main disadvantage of maintaining a system of rigid fixed exchange rates?
4. Between 1967 and 2007 the exchange rate of the pound has fallen from \$2.40 to \$1.96. What difference has this made to the price in dollars of: a) British imports from the USA; b) British exports to the American buyer?
5. Explain how inflation in a country (relative to other countries) will eventually produce a fall in the exchange rate.
6. Suggest two reasons why a rise in the value of a country’s exports is likely to lead to a rise in the value of her imports.

7. There are several conditions necessary to make exchange depreciation work – suggest as many as you can.
8. What are the two types of solution to a long-term balance of payments deficit?
9. What short-term measures could be taken to correct a balance of payments deficit?
10. By buying or selling pounds as necessary, the Exchange Equalisation Account maintains the value of the pound sterling within the limits set by the government. Other things being equal, which of the following would tend eventually to make the Account: i) buy pounds ii) sell pounds?
 - a) a large increase in Britain's demand for US exports
 - b) a decrease in the demand of Americans for British goods
 - c) a large increase in the number of tourists coming to Britain
 - d) a withdrawal of US troops from bases in Britain
 - e) a recession in the US with falling income reducing her imports
 - f) inflation in the UK, at a much faster rate than in the US
 - g) a US loan to Britain
 - h) a movement of short-term capital from the New York to London
 - i) the purchase of a number of British factories by US firms

Multiple Choice Questions

11. Depreciation of the currency would:
 - a) make inflation less likely;
 - b) make exports cheaper;
 - c) make imports cheaper;
 - d) make domestic goods cheaper;
 - e) none of the above.
12. Revaluation of the currency would:
 - a) make inflation more likely;
 - b) make exports cheaper;
 - c) make imports cheaper;
 - d) increase exports;
 - e) none of the above.

13. The International Monetary Fund:

- a) makes funds available to meet a temporary balance of payments deficit;
- b) makes loans over long periods to finance persistent balance of payments deficits;
- c) provides long-term finance for reconstruction and development;
- d) does not impose conditions on loans;
- e) lends to private export companies.

14. The 'World Bank':

- a) makes funds available to meet a temporary balance of payments deficit;
- b) makes loans over long periods to finance persistent balance of payments deficits;
- c) provides long-term finance for reconstruction and development;
- d) does not impose conditions on loans;
- e) lends to private export companies.

15. 'Stop-go' policy in the UK was the result of:

- a) traffic restrictions for environmental reasons;
- b) trade cycle fluctuations;
- c) decreasing imports when the economy expanded;
- d) increasing exports when the economy expanded;
- e) increasing imports when the economy expanded.

CHAPTER 41 The European Union

Study guide

Apart from the political advantages of a united Western Europe, the concept of the EU's Single Market is based on economic principles, chiefly the theory of comparative costs and the advantages of economies of scale and increased competition which are made possible by a large market.

Those opposing Britain's membership of the EU do so on the grounds that the above advantages are outweighed by certain disadvantages, mainly:

- (a) the Common Agricultural Policy has resulted in higher food prices;
- (b) contributions to the CAP and the Community budget impose additional strains on Britain's finances and balance of payments;
- (c) Community institutions rather than the British Parliament can exercise sovereignty over details of economic policy.

CHAPTER 41 Questions

1. What are the main advantages claimed for membership of the European Union?
2. What are the main disadvantages claimed for membership of the European Union?
3. How does the theory of comparative costs support the UK's membership of the Single Market of the EU?
4. How could the theory of comparative costs be used to oppose the UK's membership of the Single Market of the EU?
5. Until 1970 the traditional method of helping British farmers was through 'deficiency payments' to cover the amount by which prices in the market fell short of agreed 'guaranteed prices'. How does the Common Agricultural Policy (CAP) of the EU differ from this?
6. How does an unusually good wheat harvest create difficulties for the CAP?
7. What is the principal indirect tax of the EU?
8. What is the importance to the UK of the European Union's Regional Fund?
9. In the CAP what is meant by:
 - a) the target price
 - b) the threshold price
 - c) the intervention price
10. For many industries, fixed capital costs form a high proportion of total costs within the relevant range of output.
 - a) give three examples of such industries
 - b) how does the Single Market of the EU help such industries?

Multiple Choice Questions

11. Which of the following was not an original member of the EEC?
 - a) France
 - b) Britain
 - c) Luxembourg
 - d) Italy
 - e) Belgium
12. The EU institution responsible for policy proposals is:
 - a) The European Commission
 - b) The Council of Ministers
 - c) The European Parliament
 - d) The European Court of Justice
 - e) The European Central Bank

13. Almost half of the EU budget is spent on:

- a) subsidies to steel production
- b) subsidies to power generation;
- c) subsidies to agriculture;
- d) border controls;
- e) the European Parliament.

14. Which of the following is *not* likely to be an advantage of EU membership?

- a) greater scope for gain from comparative advantage;
- b) more economies of scale for industries;
- c) greater competition and increased efficiency;
- d) a larger market for industries;
- e) decreased bureaucracy.

15. The EU institution composed of representatives of the major parties of the Parliaments of the member countries is:

- a) The European Commission
- b) The Council of Ministers
- c) The European Parliament
- d) The European Court of Justice
- e) The European Central Bank

CHAPTER 42 Problems and Policies of the UK and Europe

Study guide

Approach this chapter as an exercise in applied economics. You are given the facts about the population of the UK. What are the likely economic results?

First, you apply demand-and -supply analysis. What effects will, for instance, an ageing population have on the demand side? We could continue to show how these changes work through the economy, e.g. changes in relative prices, changes in the profitability of certain products, changes in the rewards to certain types of factor, etc. Changes in the industrial distribution of the population, and its geographical effects, can be treated similarly.

Secondly, when you look at the economic effects of an increasing population, you consider the implications of the law of diminishing returns and how the UK might respond to such a situation by increasing imports. The question then arises: what is the implication of this for the balance of payments, the terms of trade, etc.? Again more particular effects can be traced, e.g. the effect of an increasing population on the profitability of British farmers, on the rewards accruing to landlords, etc.

Future population estimates are based largely on calculations of the net reproduction rate which reflects the rate at which the potential child-bearing female population is being replaced. Yet, although population projections are essential for economic planning, they constantly have to be revised. This is because factors other than the mathematical net reproduction rate affect population growth. Since the death rate is now fairly stable in developed countries, these variables are related mainly to births: the age of marriage, the marriage rate, the proportion of women working, the level of income, social example (e.g. the contraceptive pill) and legislation (e.g. permitting abortion).

The theoretical analysis of the previous chapters should enable you to appreciate the current economic problems facing the UK and Europe.

Remember that even theory has constantly to be modified when it is found to be deficient in the light of experience. Thus until the 1960s Keynesian economics seemed to show that full employment could be secured by maintaining AD but this ignored the difficulties created by inflation. Theory has now therefore to pay more attention to the supply side – the shape of the AS curve.

Furthermore, we have seen that it is those countries – Germany, France, Belgium, the Netherlands and Switzerland – achieving a low rate of inflation compared with the UK which have managed to obtain a healthy balance of payments and a higher rate of growth. Thus keeping the rate of inflation low is now the UK's priority rather than the incompatible post-war unemployment rate of less than 3 per cent.

CHAPTER 42 Questions

1. How can the PSNCR (public sector borrowing) be financed?
2. Suggest four reasons why prices are likely to rise as aggregate demand (AD) approaches the full employment level.
3. Why does the EU want the PSNCR of its member countries to be less than three per cent of GDP?
4. How could the September 1992 devaluation of sterling produce:
 - a) a consumer-led recovery
 - b) an export led recovery
5. What were the possible disadvantages of the September 1992 devaluation of sterling?
6. You have the following figures (in millions) for the changes in population of countries A and B:

		Under 15	15-64	Over 65
Country A				
	1951	7	12	1
	2001	13	26	2
Country B				
	1951	12	27	2
	2001	11	33	6

- a) would it be true to say that either country has an 'ageing' population?
b) suggest five consequences of an ageing population

7. What did Malthus predict about food supplies and population?

8. What has economics been nicknamed as a result of 7. above?

9. Why did Malthus's fears prove to be ungrounded for the UK in the nineteenth and twentieth centuries?

10. How could the UK lose a) economic sovereignty and b) political sovereignty in the Single Currency of the EU?

Multiple Choice Questions

11. The most recent recession experienced in the UK was:

- a) 1980-82
- b) 1986-88
- c) 1990-92
- d) 1998-2000
- e) 2005-2007

12. Interest rates in the UK are now determined by:

- a) the Bank of England;
- b) the Discount Houses;
- c) the Government;
- d) the European Central Bank;
- e) the IMF.

13. The UK population is projected to:

- a) decrease over the next twenty years;
- b) become younger on average over the next twenty years;
- c) increase by 7.2 million 2004-2031;
- d) increase by 22.2 million 2004-31;
- e) decrease by 2.4 million 2004-2031.

14. Which of the following is *not* likely to be a feature of an ageing population:

- a) a bigger pensions bill;
- b) a more mobile workforce;
- c) a larger public spending budget;
- d) less public spending;
- e) a changing pattern of consumption.

15. Interest rates in the Euro zone are determined by:

- a) market forces;
- b) the Discount Houses;
- c) the Government;
- d) the European Central Bank;
- e) the IMF.