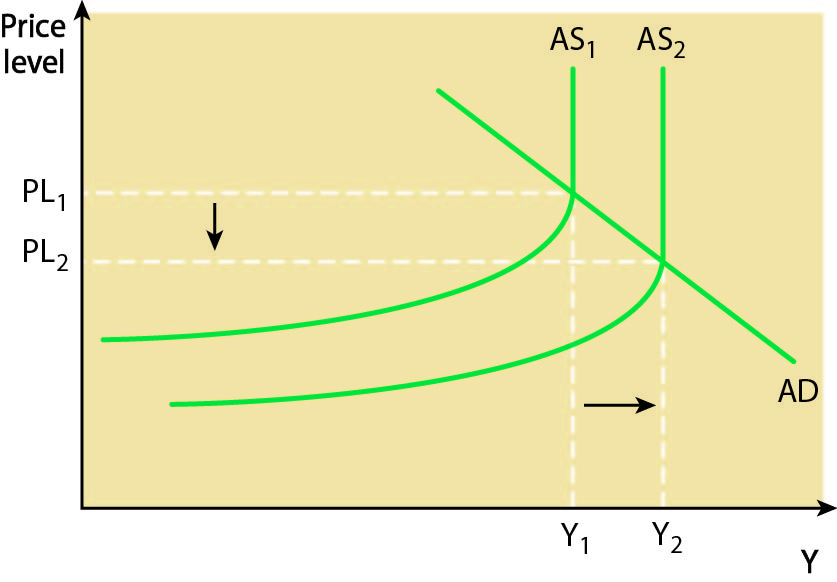
***AQA AS Economics exam practice answers***

7 How the macroeconomy works

**1** The multiplier occurs where a change in a component of aggregate demand leads to a proportionately larger change in national income. The formula would also be acceptable as an answer. [3]

**2** Multiplier = change in income/change in AD = £6bn/£1.5bn = 4 [4]

**3** Up to 4 marks for the following diagram:



Up to 4 marks for the following analysis of issues. Points raised may include:

* multiplier effects on national income
* effects on unemployment/employment
* effects on inflation [8]

**4** Marks will be awarded for the development of explanations of relevant factors. These may include:

* lower interest rates
* tax breaks
* providing a stable macroeconomic environment
* rising national income (as a result of accelerator)
* lower taxes on business profits [10]