

# The Multiplier

## *Multiple-Choice Questions*

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GCE A-LEVEL ECONOMICS

Which **one** of the following is most likely to result from an improvement in UK consumer confidence? A decrease in the marginal propensity to:

- ☐ **A** consume
- ☐ **B** tax
- ☐ **C** import
- ☐ **D** save

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Which **one** of the following is a likely cause of an increase in the value of an economy's multiplier?

- A** An increase in the marginal propensity to save
- B** An increase in the basic rate of income tax in the economy
- C** A decrease in the marginal propensity to import
- D** A decrease in investment in the economy

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An economy has marginal propensity to save of 0.1, marginal propensity to tax of 0.2 and marginal propensity to import of 0.1.

(c) Which **one** of the following is the correct size of the multiplier?

- ☐ **A** 0.4
- ☐ **B** 0.6
- ☐ **C** 1.7
- ☐ **D** 2.5

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**A** 0.75

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**B** 1

☐

**C** 1.2

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Assuming that the value of the marginal propensity to consume is 0.6, which of the following changes in national income would result from an increase in exports of £19bn?

**A** £31.7bn

☐

**B** £47.5bn

☐

**C** £76bn

☐

**D** £114bn

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An injection into an economy, with a marginal propensity to consume of 0.8, leads to a total increase in national income of £350 million. What was the value of the initial injection?

A £35 million

☐

B £70 million

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C £120 million

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