



7: Aggregate supply (AS)

- 1 (a) The UK's productivity was around 6 percentage points higher than that of Japan whereas Germany's productivity was about 10% higher than the UK. This suggests that Germany's goods and services are more competitive than the UK's whereas Japan's are less competitive. [5]
- (b) **KN:** 2 marks; **AP:** 2 marks; **AN:** 2 marks; **EV:** 2 marks
Investment refers to the increase in capital stock. It includes anything that is used to make other goods e.g. a 3D printer or a new production plant. Productivity in this case refers to output per worker.
Such investment might enable goods and services to be produced more efficiently so enabling each worker to produce more than previously. In Italy's case productivity has increased by about 2 percentage points.
However, this might be only a short-run change in productivity and not sustained in future years if investment falls. [8]
- (c) **KAA:** 8 marks; **EV:** 4 marks
The chart shows that the USA's productivity was about 37% higher than the UK's in 2019. This may be because American workers have more capital per worker which enables them to produce more than UK workers. It could also be the result of differences in the way production is organised in factories enabling workers to be more efficient in the USA. For example, the production lines may be organised in such a way that workers waste less time in moving from task to task.
However, some of the difference may be explained by differences in the way productivity is measured and/or the accuracy of the way in which the data was collected. [12]
- 2 (a) Output per worker or output per worker per hour worked [2]
- (b) **Correct answer: B** An increase in use of new technology by firms [1]
- (c) The LRAS curve would shift to the right. [2]