

10. Government macroeconomic intervention (A Level)

Starter Quiz ·

A-Level Economics

Name: _____ Score: _____

1. Which set best lists the main macroeconomic objectives?
 - ☐ growth, low unemployment, price stability, balance of payments
 - ☐ profit, revenue, market share
 - ☐ high taxes, high spending, low wages
 - ☐ imports, exports, tariffs
2. The Phillips curve shows a short-run trade-off between:
 - ☐ growth and the exchange rate
 - ☐ tax and spending
 - ☐ imports and exports
 - ☐ unemployment and inflation
3. Structural unemployment is best tackled by:
 - ☐ demand stimulus alone
 - ☐ supply-side policy (e.g. retraining)
 - ☐ a weaker currency
 - ☐ raising interest rates
4. In a deep recession, a government would most likely prioritise:
 - ☐ reducing the money supply
 - ☐ a trade surplus above all
 - ☐ cutting all spending
 - ☐ growth and employment
5. Rapid economic growth can worsen the current account because it:
 - ☐ reduces all spending
 - ☐ cuts exports to zero
 - ☐ lowers incomes
 - ☐ sucks in more imports
6. Crowding out is when heavy government borrowing reduces private investment.
 - ☐ True ☐ False

7. Pursuing faster growth can conflict with controlling inflation.

☐ True ☐ False

8. Most economists argue the unemployment–inflation trade-off holds permanently in the long run.

☐ True ☐ False

9. Fiscal and supply-side policies are slowed by time _____.

10. Because objectives conflict, policy always involves making _____.

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Answers ·

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1. **growth, low unemployment, price stability, balance of payments**

These four (plus equity and the environment) are the standard objectives.

2. **unemployment and inflation**

Lower unemployment tends to come with higher inflation in the short run.

3. **supply-side policy (e.g. retraining)**

Structural problems need supply-side fixes; demand stimulus won't give workers the right skills.

4. **growth and employment**

When output and jobs are falling, reviving growth and employment comes first.

5. **sucks in more imports**

Higher incomes raise import spending, widening a trade deficit.

6. **True**

Government borrowing can raise interest rates and squeeze private investment.

7. **True**

A booming economy can overheat, pushing up prices – a classic conflict.

8. **False**

False. Many economists argue the trade-off is only short-run: in the long run unemployment returns to its natural rate whatever the inflation rate (a vertical long-run Phillips curve).

9. **lags**

It takes time for these policies to affect the economy.

10. **trade-offs**

No policy improves every objective at once.