1 What is an example of a normative statement?

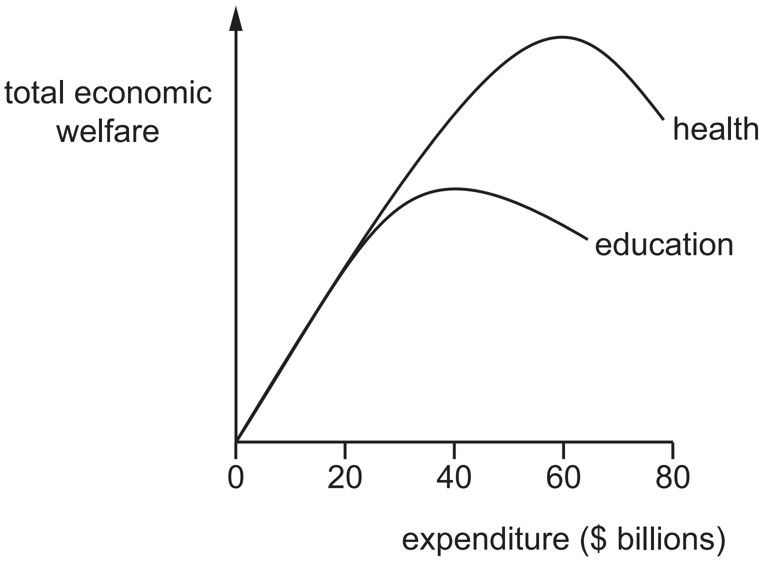
A Indirect taxes are cheap to collect.

B Indirect taxes are taxes on income.

C Indirect taxes are unfair.

D Indirect taxes increase inequality.

11 The graph shows the total economic welfare derived by citizens from a government's expenditure on health and education services.



If the government has $60 billion of its budget to allocate between health and education services, which allocation will give its citizens the highest level of welfare?

	health spending ($ billions)	education spending ($ billions)
A	0	60
B	20	40
C	40	20
D	60	0

13 What would be included in a measure of wealth?

A annual income

B benefits and pensions

C interest earned on savings

D savings held in bank accounts

6 What is consumer surplus?

A the amount of a consumer's income less the amount paid in income tax

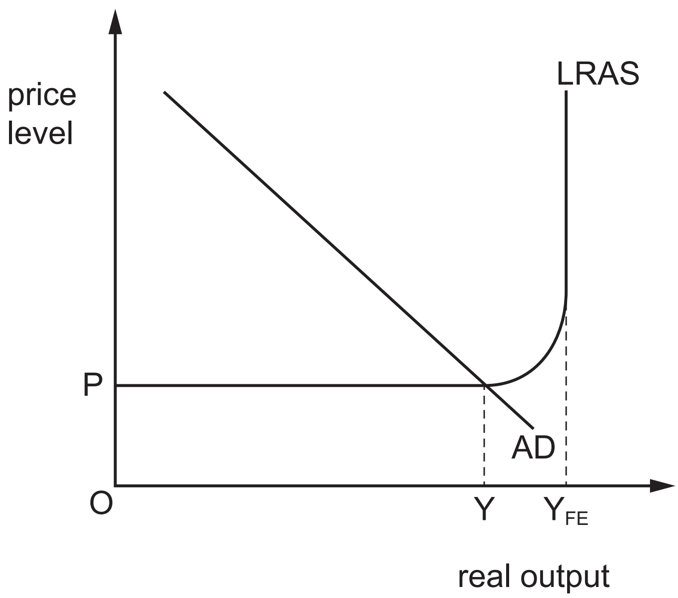
B the amount of a consumer's income less the amount paid for goods and services

C the amount of a consumer's income received in bonuses and overtime pay

D the amount a consumer is willing to pay for a product less the amount actually paid

A-Level Economics: **w25 13**

24 The diagram shows an economy in equilibrium with a real output of Y and a price level of P. The government aims to raise real output from Y to full employment (Y_{FE}) without increasing the price level in the long run.



Which fiscal policy change is most likely to achieve this aim?

A decreasing the rate of income tax

B decreasing spending on education

C increasing the level of sales tax

D increasing welfare benefit payments

26 Which policy is most likely to have a contractionary effect on national income?

A a reduction in income tax rates

B a reduction in interest rates

C an appreciation in the exchange rate

D an increase in government spending on transport infrastructure

21 What is an example of expansionary fiscal policy?

A an increase in income tax

B an increase in private sector investment

C an increase in spending on public goods

D an increase in the money supply

25 An increase in interest rates is an example of which type of policy?

A contractionary fiscal policy

B contractionary monetary policy

C expansionary monetary policy

D restrictive supply-side policy

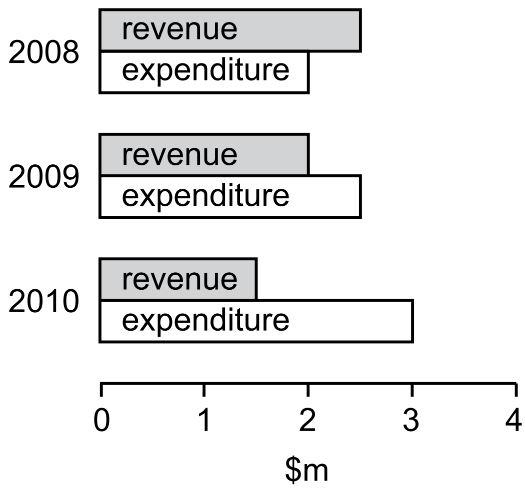
A-Level Economics: **s25 11**

25 The table shows the amount of tax paid on three different levels of income.

Which combination shows a proportional income tax system?

	tax paid on annual income of $10 000	tax paid on annual income of $20 000	tax paid on annual income of $40 000
A	1000	1000	1000
B	1000	1500	2000
C	1000	2000	4000
D	1000	2500	8000

22 The diagram shows a government's revenue and expenditure for three years.



What can be concluded from the diagram?

A A budget deficit was replaced by a budget surplus.

B A budget deficit increased.

C The economy moved from a point within its production possibility curve (PPC) to a point on it.

D The yield from taxation continuously increased.