23 An income tax has a tax-free allowance of $10 000 and a single rate of 25%.

What type of tax is this?

A indirect

B progressive

C proportional

D regressive

16 Planned government expenditure for a country in the fiscal year 2016 is estimated at $760 billion. The top five areas of expenditure are given in the table.

	$ billion
pensions	153
healthcare	138
welfare	111
education	89
defence	45
total top five	536

What is the total amount, in billions of dollars, spent on transfer payments shown in the table?

A 89 **B** 111 **C** 264 **D** 536

1 What is an example of a normative statement?

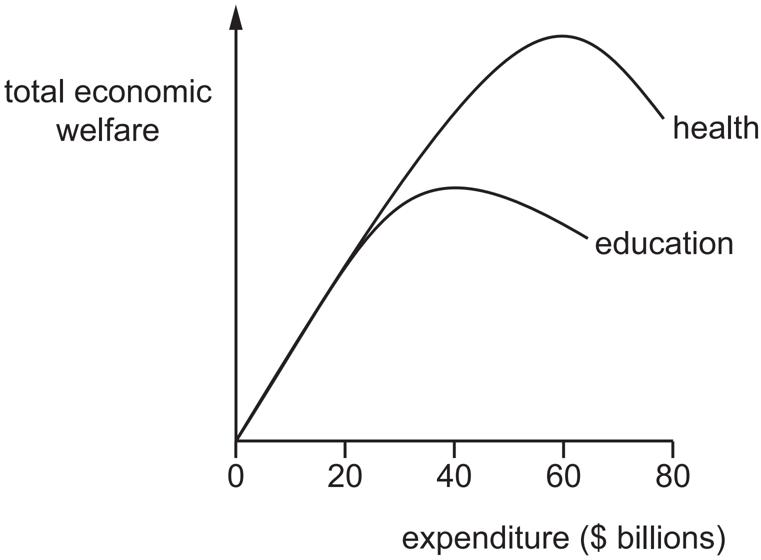
A Indirect taxes are cheap to collect.

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

18 A government spends money to provide an education for students.

Which type of spending is capital expenditure?

A computers for classrooms

B grants for university students

C rent for school buildings

D wages for teachers

19 What is an example of fiscal policy aimed at increasing aggregate demand in an economy?

A increasing expenditure by firms on skills training programmes for unskilled workers

B increasing the commercial banks' lending ability

C reducing the rate of income tax for all income earners

D reducing the rate of interest on loans to manufacturing companies

23 A central bank increases interest rates to reduce inflation.

When will this policy be most likely to succeed?

A When household spending is inelastic in response to interest rate changes.

B When the country has a floating exchange rate that appreciates.

C When the government has an increasing budget deficit.

D When trade unions demand higher wages to protect the living standards of their members.

24 A government reduces its expenditure on workplace training, increases the level of indirect taxes and reduces the rate of interest it pays on government debt.

How would these government macroeconomic policies be categorised?

	supply-side	fiscal	monetary	
A	con	con	exp	key
B	exp	con	con	con = contractionary
C	con	exp	exp	exp = expansionary
D	exp	exp	con	

25 The government of a country reduces its budget deficit by cutting government spending. At the same time, the central bank raises the interest rates.

When might this combination of policies be used?

	inflation rate	unemployment rate
A	high	high
B	high	low
C	low	high
D	low	low