# 4. Government and the macroeconomy

**Starter Quiz** ·

IGCSE Economics Name: _____ Score: _____

1. Which are macroeconomic aims of government? (Select all that apply.)

   ☐ economic growth

   ☐ low unemployment

   ☐ maximising one firm's profit

   ☐ stable prices

   *Tick every correct option.*

2. Fiscal policy uses:

   ☐ government spending and taxation

   ☐ minimum wages only

   ☐ the exchange rate

   ☐ interest rates

3. Monetary policy is typically carried out by the:

   ☐ trade unions

   ☐ local councils

   ☐ central bank

   ☐ finance ministry

4. Supply-side policy aims mainly to:

   ☐ cut interest rates

   ☐ raise productivity and productive capacity

   ☐ increase the budget deficit

   ☐ raise the exchange rate

5. Economic growth is measured by an increase in:

   ☐ the inflation rate

   ☐ the exchange rate

   ☐ real GDP

   ☐ the population

6. The unemployed are people who are:

   ☐ retired

   ☐ in full-time study

   ☐ without work, actively seeking a job and available to start

   ☐ not looking for work

7. The CPI rises from 100 to 105 over a year. What is the inflation rate (%)?

   _____

8. Raising interest rates to fight inflation can increase unemployment.

   ☐ True ☐ False

9. A general cut in taxes, with other budget measures unchanged, is a contractionary fiscal change.

   ☐ True ☐ False

10. Keeping inflation low and stable can be one aim of monetary policy.

    ☐ True ☐ False

# 4. Government and the macroeconomy

Answers ·

IGCSE Economics

1. **economic growth; low unemployment; stable prices**

   Government aims for the whole economy, not one firm.

2. **government spending and taxation**

   Fiscal policy works through the government budget.

3. **central bank**

   The central bank sets or influences policy rates and monetary conditions. Commercial lenders set the terms of individual loans.

4. **raise productivity and productive capacity**

   It increases what the economy can produce.

5. **real GDP**

   Growth is a rise in real GDP – output adjusted for inflation.

6. **without work, actively seeking a job and available to start**

   Survey unemployment requires no job, active search and availability. A student or retired person can meet these conditions; the label alone does not decide.

7. **5**

   $(105 - 100) \,/\, 100 \times 100 = 5\%$.

8. **True**

   Cooling demand reduces inflation but can cost jobs – a trade-off.

9. **False**

   False. A tax cut is generally an expansionary change. Whether demand and output actually rise depends on how households and firms respond.

10. **True**

    True. Stable prices can be an aim, but institutions and mandates vary, and policy also affects output, employment and trade.