

- 18** A government's spending currently equals its revenue. The government decides to decrease its spending.

What is the most likely effect of this in the short run?

- A** a budget deficit
- B** a budget surplus
- C** an increase in output
- D** an increase in tax revenue

- 19** What is **not** a monetary policy measure?

- A** changes in income tax rates
- B** changes in interest rates
- C** changes in the exchange rate
- D** changes in the money supply

- 18** A government collects the following revenue in a year.

	\$m
taxes on goods	30
taxes on income	500
taxes on services	20
customs and excise duties	50

What is the amount of indirect tax revenue?

- A** \$30m
- B** \$70m
- C** \$100m
- D** \$500m

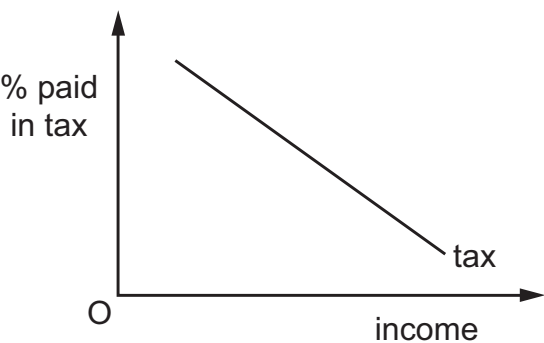
- 21** Which supply-side policy measure would most likely cause the greatest increase in labour productivity in a country?

- A** a decrease in the rate of corporation tax
- B** a reduced top rate of income tax
- C** improved education and training provision
- D** privatisation of a state-owned industry

21 Which policy decision is most likely to cause economic growth?

- A an increase in corporation tax rates
- B an increase in interest rates
- C an increase in the amount workers can earn before paying income tax
- D an increase in the government's regulations for starting a new business

18 The diagram shows the percentage of income taken by a tax at different levels of income.



Which term is used to describe the tax?

- A indirect
- B progressive
- C proportional
- D regressive

18 A country's unemployment rate increased from 3.6% to 4.2% in one year.

What might be the consequences for tax revenues and welfare payments?

	tax revenues	welfare payments
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

18 The table shows a forecast for a government budget for year 1 and for year 2.

	year 1 \$bn	year 2 \$bn
revenue	50	55
spending	60	60

What does the forecast government budget for year 2 show?

- A** The budget deficit decreased when compared with year 1.
- B** The budget deficit increased when compared with year 1.
- C** The budget surplus decreased when compared with year 1.
- D** The budget surplus increased when compared with year 1.

18 The table shows earnings and total income tax paid per year.

earnings \$	total income tax paid \$
5000	1000
8000	2000
9000	3000

Which type of tax system does this illustrate?

- A** indirect
- B** progressive
- C** proportional
- D** regressive