16 What describes a Keynesian measure to reduce cyclical unemployment?

A adopting a supply-side policy to retrain unskilled workers

B allowing the private sector to take over the supply of merit goods

C increasing the ratio of capital equipment to manual labour in production

D using fiscal policy to increase effective demand

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20 A government funds an increase in transfer payments to the unemployed by increasing the higher rate of income tax.

What is the most likely impact of this change?

A government borrowing increases

B the incentive to work increases

C the marginal propensity to consume increases

D the quantity of imports increases

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18 Which combination of policies is most likely to reduce cyclical unemployment but might increase frictional unemployment?

	direct taxes	unemployment benefits
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

22 The central bank of an economy decreases the money supply in an attempt to reduce inflation.

Under which conditions is this policy most likely to be effective?

	exchange rate	responsiveness of aggregate demand to interest rate changes
A	fixed	low
B	fixed	high
C	floating	low
D	floating	high

22 A government is aiming to increase the role of market forces.

Which policy might achieve this?

A deregulation

B nationalisation

C price controls

D production quotas

25 What does the Laffer curve show?

A the amount of tax revenue received at each tax rate

B the impact on the distribution of income after tax rates rise

C the rise in inflation following a fall in unemployment due to a cut in income tax

D the rise in poverty due to a rise in the basic rate of income tax