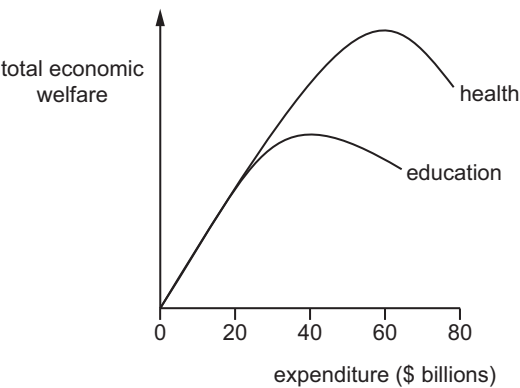


- 1 What is an example of a normative statement?
- A Indirect taxes are cheap to collect.
- B Indirect taxes are taxes on income.
- C Indirect taxes are unfair.
- D Indirect taxes increase inequality.
- 11 The graph shows the total economic welfare derived by citizens from a government's expenditure on health and education services.

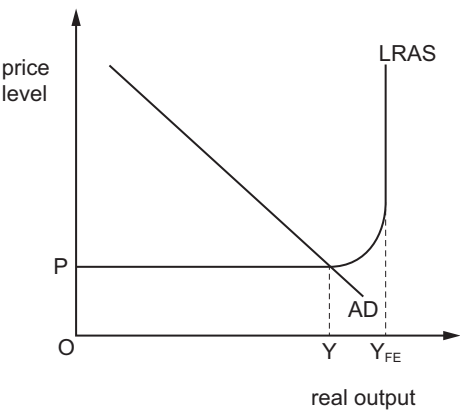


If the government has \$60 billion of its budget to allocate between health and education services, which allocation will give its citizens the highest level of welfare?

	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
- 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?

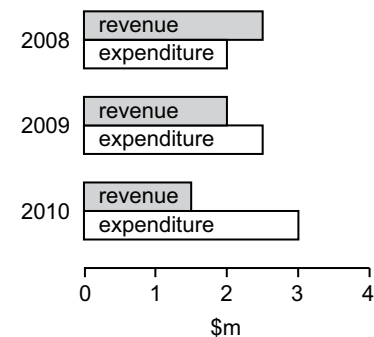
- A** contractionary fiscal policy
- B** contractionary monetary policy
- C** expansionary monetary policy
- D** restrictive supply-side policy

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.