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

A-Level Economics: **w25 12**

2 A public good must both be non-rivalrous in consumption and have the characteristic of non-excludability.

Which situation meets both of these conditions?

A a former nationalised rail network which has been privatised

B a good that has an opportunity cost

C the building of a new toll road which charges all users the same toll

D the provision of street lighting which improves a locality

23 A country has a target rate of inflation of 2.5% and has recently experienced the actual rate rising to 6%, with unemployment falling to very low levels.

Which policy option is most likely to be implemented?

A an increase in government expenditure on training

B an increase in indirect taxes on demerit goods

C an increase in import tariffs

D an increase in interest rates

A-Level Economics: **w25 13**

14 Which area of government spending is a transfer payment?

- **A** spending on new road building
- **B** spending on pensions to the elderly
- **C** spending on buying new police cars
- **D** spending on wages of teachers

A-Level Economics: **s25 11**

24 What is **not** an example of an expansionary supply-side policy?

- **A** a reduction in government spending on training
- **B** an increase in support for technological improvement
- **C** a reduction in payments to the unemployed
- **D** an increase in privatisation of industry

A-Level Economics: **Specimen 1**

28 Which government policy is most likely to focus on an increase in the quantity of skilled labour?

- **A** exchange rate policy
- **B** fiscal policy
- **C** monetary policy
- **D** supply-side policy