

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

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

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

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

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