Question 18 (Answer: **A**)

- Capital expenditure buys an asset that lasts and adds to productive capacity.
- Computers for classrooms are exactly that.
- Grants, salaries and running costs are current expenditure, consumed within the period.

Question 19 (Answer: **C**)

- Fiscal policy works through government spending and taxation.
- To raise aggregate demand it must spend more or tax less.
- Spending by *firms* is not government policy, and a supply-side scheme works on capacity instead.

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Question 2 (Answer: **D**)

- Non-rivalrous means one person's use does not reduce what is left for others.
- Non-excludable means a non-payer cannot be kept out.
- Both must hold together – anything with a gate, a fare or a finite capacity fails one of them.

Question 23 (Answer: **D**)

- Inflation well above target with very low unemployment points to an overheating economy.
- So aggregate demand needs restraining, which means a contractionary policy.
- Raising interest rates or taxes would do it; an expansionary measure would make it worse.

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Question 14 (Answer: **B**)

- A transfer payment is money paid with no good or service given in return.
- A pension is exactly that – the recipient supplies nothing for it.
- Roads, police cars and salaries are all payments *for* something, so they count in GDP.

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Question 24 (Answer: **A**)

- Supply-side policy aims to raise productive capacity.
- Training, technological support and deregulation all do that.
- *Cutting* spending on training reduces capacity, so it is contractionary rather than expansionary.

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Question 28 (Answer: **D**)

- Increasing the quantity of skilled labour raises the economy's productive capacity.
- Policies aimed at capacity rather than at spending are supply-side policies.
- Fiscal and monetary policy work mainly on aggregate demand, and exchange rate policy on trade.