20 What may prevent a government achieving a faster rate of growth of real GDP?

A The multiplier has a small value.

B The consumer price index is below its target set by the central bank.

C The economy is operating on the vertical section of the long-run aggregate supply curve.

D There is a large negative output gap in the economy.

22 To overcome deflation in an economy the government increases the size of its budget deficit and funds this by increasing the money supply.

What is most likely to reduce the effectiveness of these measures?

A a high marginal propensity to save

B a rise in business confidence

C an inelastic demand for money

D low cash deposit ratios for commercial banks

A-Level Economics: **w25 32**

17 What is most likely to increase if an economy enters a negative output gap?

A business confidence

B economic growth rate

C inflation rate

D unemployment rate

A-Level Economics: **w25 33**

15 Which policy is most likely to lead to a reduction in the natural rate of unemployment?

A an increase in government expenditure on goods and services

B an increase in government expenditure on training schemes to address skill shortages

C an increase in the period when the unemployed are eligible for welfare benefits

D an increase in the minimum wage

A-Level Economics: **w25 34**

16 An open economy has a positive output gap.

What is likely to be decreasing?

A expenditure on imports

B leisure time of workers

C nominal wage rates

D the general price level

19 What is an example of a demand-side macroeconomic policy that would reduce cyclical unemployment?

A an increase in government spending on new infrastructure such as roads

B an increase in government spending on retraining workers

C a reduction in the rate of tax on imports

D an increase in the rate of tax on goods and services