Past-paper walk-through

Supply-side policy ▪ 4.4

eXercise

Questions in this set

- 0455/11 N25 Q17 ▪ 1 mark
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- 0455/11 N24 Q20 ▪ 1 mark

Question 17

0455/11 N25 ▪ Q17 ▪ 1 mark

17 What are two macroeconomic aims of government?

A to allocate resources and reduce trade union membership

B to create economic growth and prevent high inflation

C to raise interest rates and reduce pollution

D to reduce exports and increase imports

Solution 17

Answer: **B**

Why

- The four standard macroeconomic aims are growth, low unemployment, price stability and a balanced current account.
- So look for a pair drawn from those four.
- Allocating resources or reducing union membership are not macroeconomic aims.

Question 20

0455/11 N25 ▪ Q20 ▪ 1 mark

20 Which government action would **not** be included as part of a supply-side policy?

A increasing the privatisation of industries

B lowering national minimum wage rates

C raising tariffs on international trade

D reducing state benefits

Solution 20

Answer: **C**

Why

- Supply-side policy raises productive capacity.
- Privatisation, deregulation, training and tax incentives to work or invest all do that.
- Lowering the minimum wage affects labour costs, but a measure aimed only at demand is not supply-side.

Question 28

0455/11 N25 ▪ Q28 ▪ 1 mark

28 Which government policy would encourage greater international trade?

A an increase in the level of domestic regulation

B an increase in the level of tariffs on imports

C the abolition of domestic subsidies for declining industries

D the abolition of free trade agreements

Solution 28

Answer: **C**

Why

- Greater international trade is encouraged by removing barriers.
- So cutting tariffs, quotas and regulation all help.
- *Increasing* regulation or tariffs would restrict trade instead.

Question 25

0455/12 N25 ▪ Q25 ▪ 1 mark

25 In many high-income economies, increasing income inequality has led to greater levels of poverty.

Which combination of policies would aim to reduce income inequality?

	fiscal policy	supply-side policy
A	decrease corporation tax	create more competition
B	increase income tax	reduce the power of trade unions
C	increase inheritance tax	increase the national minimum wage
D	increase sales tax	privatise more public sector firms

Solution 25

Answer: **C**

Why

- Reducing inequality means transferring from higher to lower incomes.
- So more progressive taxation combined with higher benefits or a higher minimum wage.
- Regressive taxes or benefit cuts would widen the gap instead.

Question 1

0455/13 N25 ▪ Q1 ▪ 1 mark

1 What is **least** likely to increase the geographical mobility of labour?

A greater provision of information about available jobs

B improved roads and communication network

C increased opportunities for education and training

D strengthened family ties and relationships

Solution 1

Answer: **D**

Why

- Geographical mobility is how easily workers move to where the jobs are.
- Better transport, more housing and better job information all help.
- Anything that ties workers to one place – expensive housing elsewhere, family ties – reduces it.

Question 28

0455/12 J25 ▪ Q28 ▪ 1 mark

28 Mining by multinational companies (MNCs) has both costs and benefits for the host nation.

Which activity is **least** likely to offer a benefit to the host nation?

A developing courses for training in mining

B investing in infrastructure to export minerals

C repatriating profits and dividends

D using new technology

Solution 28

Answer: **C**

Why

- Benefits from an MNC include jobs, tax revenue, technology transfer and export earnings.
- The costs include profit repatriation, environmental damage and the depletion of resources.
- So the activity offering *least* benefit is the one whose value leaves the country.

Question 22

0455/12 M25 ▪ Q22 ▪ 1 mark

22 Which action by employers is most likely to reduce long-term economic growth?

A allowing workers time off to attend retraining courses

B encouraging workers to work flexibly in different roles

C granting workers regular short breaks during the working day

D replacing skilled workers with semi-skilled workers

Solution 22

Answer: **D**

Why

- Long-run growth depends on the quantity and quality of the factors of production.
- Training, investment and new technology all raise productive capacity.
- Anything that reduces skills or investment – cutting training, for instance – lowers future growth.

Question 20

0455/11 N24 ▪ Q20 ▪ 1 mark

20 What is most likely to result from a successful supply-side policy?

A a deterioration in the current account of the balance of payments

B economic growth

C increased inflation

D increased structural unemployment

Solution 20

Answer: **B**

Why

- Supply-side policy raises productive capacity.
- More capacity means output can grow without the price level rising.
- So the results are economic growth *and* lower inflation together.