18 A government has stated for the next year it has four main aims.

1 low and stable inflation

2 providing subsidies to farmers

3 raising productivity of workers in the public sector

4 stability in the balance of payments

What are the two macroeconomic aims for the government?

A 1 and 2 **B** 1 and 4 **C** 2 and 3 **D** 3 and 4

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4 In 2023, India became the country with the largest population. This may affect the government's macroeconomic aims. In 2018, the Indian Government cut the country's corporation (corporate income) tax rate from 35% to 25%. Between 2019 and 2022, India's inflation rate averaged 6%. Some economists suggested that to achieve its central inflation rate target, the government should cut its spending.

(a) Identify **two** macroeconomic aims of government that may conflict. [2]

(b) Explain **two** reasons why a country may have a high population growth rate. [4]

(c) Analyse how a cut in the corporation (corporate income) tax rate can increase economic growth. [6]

(d) Discuss whether or not a decrease in government spending will reduce inflation. [8]

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17 The central bank of Mexico set its rate of interest to try to keep the rise in the price level to only 3%.

Which government aim was it directly trying to achieve?

A balance of payments equilibrium

B economic growth

C full employment

D low inflation

23 The table shows changes in economic policies for four countries, **A**, **B**, **C** and **D**.

Which country is most likely to be following a policy of preventing deflation?

	money supply	government spending	taxation
A	decreasing	decreasing	decreasing
B	decreasing	decreasing	increasing
C	increasing	increasing	decreasing
D	increasing	increasing	increasing

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11 Under which circumstances are households more likely to save?

	inflation rate	interest rate	unemployment rate
A	high	high	high
B	high	high	low
C	low	high	low
D	low	low	low