Question 18 (Answer: **B**)

- Macroeconomic aims concern the whole economy: inflation, employment, growth, the balance of payments.
- Raising productivity and keeping inflation low and stable are both macroeconomic.
- Subsidising one industry is a microeconomic intervention in a single market.

4(a)	**Identify <u>two</u> macroeconomic aims of government that may conflict.** • Full employment / low unemployment (1) and price stability (1). • Economic growth (1) current account balance (1). • Price stability (1) redistribution of income / poverty reduction (1). • Economic growth (1) economic sustainability (1).
4(b)	**Explain <u>two</u> reasons why a country may have a high population growth rate.** Logical explanation which might include: • High birth rate (1) due to e.g. low age of marriage / lack of education on birth control (1). • Low death rate / high life expectancy (1) due to e.g. good quality healthcare (1). • Immigration /net immigration (1) due to e.g. high incomes (1). • High fertility rates (1) due to e.g. young female population (1). • Birth rate higher than the death rate (1) results in higher natural growth rate (1).

4(c)	**Analyse how a cut in the corporation (corporate income) tax rate can increase economic growth.** Coherent analysis which might include: • Cut in corporation (corporate income) tax will increase the amount of profits that can be kept by firms (1) may attract MNCs to country (1) this will increase the funds firms have to spend (1) on capital goods (1) and increase incentive to invest (1) more to spend on wages (1) may create job opportunities / reduce unemployment (1) raise consumer expenditure (1) firms grow faster (1). • Higher investment (1) will increase total demand (1). It may also increase the quality of capital goods (1) may introduce new technology (1) may increase productivity /productive capacity (1) increase output / GDP (1). • Provide an incentive to enterprise (1) as more profits can be retained / higher profits (1).

4(d)	**Discuss whether or not a decrease in government spending will reduce inflation.** In assessing each answer, use the table opposite. Why it might: • may reduce total demand • lower total demand may reduce demand-pull inflation • if near full employment, lower demand may have a significant impact on inflation • may reduce need for taxes, lower indirect taxes may reduce prices. Why it might not: • lower government subsidies may raise prices • lower government spending on education and training may reduce productivity and may increase cost of production • lower government spending on infrastructure could increase transport costs • higher costs of production may increase cost-push inflation • may be other causes of inflation e.g. rise in wages

4(d)	

Question 17 (Answer: **D**)

- Keeping the rise in the price level to a target figure is controlling inflation.
- That is the aim of price stability.
- Interest rates are the instrument; price stability is the aim being pursued.

Question 23 (Answer: **C**)

- Deflation is a sustained fall in the general price level.
- Preventing it means raising aggregate demand.
- So look for the country cutting interest rates or taxes, or raising government spending.

Question 11 (Answer: **C**)

- People save more when saving is rewarding and the future looks uncertain.
- A high interest rate raises the reward for saving.
- High unemployment makes people save precautionarily, while high inflation erodes savings and discourages them.