

4.2 The Macroeconomic Aims of Government

Question Paper

Course	CIE IGCSE Economics
Section	4. Government & the Macroeconomy
Topic	4.2 The Macroeconomic Aims of Government
Difficulty	Medium

Time allowed: 10
Score: /7
Percentage: /100

Question 1

What is an example of a macroeconomic aim?

- A. to create and maintain full employment
- B. to improve efficiency in the manufacturing sector of the economy
- C. to provide consumers with greater information when buying goods and services
- D. to encourage greater occupational mobility of labour

[1 mark]

Question 2

What are two aims that a government normally pursues when managing the performance of the whole economy?

- A. to encourage an increase in production and to prevent high inflation
- B. to ensure no one is unemployed and to reduce exports
- C. to give everyone equal incomes and to increase government revenue
- D. to protect the environment and to reduce interest rates

[1 mark]

Question 3

What is **most** likely to cause a more even distribution of income?

- A. an increase in indirect taxation
- B. an increase in inflation
- C. an increase in managers' salaries
- D. an increase in progressive taxation

[1 mark]

Question 4

A government lowers interest rates to encourage more borrowing and spending by households to increase economic growth.

Why could this lead to a conflict with other government aims?

- A. It could cause uncertainty and lead to lower demand.
- B. It could encourage more savings and lead to higher unemployment.
- C. It could lead to lower prices of consumer goods and result in deflation.
- D. It could stimulate consumer demand and lead to inflation.

[1 mark]

Question 5

A government increases the rate of income tax in order to pay for extra transfer payments, including cash benefits to the poor.

What must occur as a result of this?

- A. It changes the distribution of income.
- B. It ensures the equality of incomes.
- C. It leads to more people paying income taxes.
- D. It reduces the level of unemployment.

[1 mark]

Question 6

In which case is success for the government in achieving the first aim likely to cause problems in achieving the second?

	first aim	second aim
A	full employment	price stability
B	high economic growth	full employment
C	price stability	stable balance of payments
D	stable balance of payments	more even distribution of income

A.

[1 mark]

Question 7

What is an aim of government policy?

- A. income tax
- B. interest rates
- C. stable prices
- D. unemployment

[1 mark]