4.6 Economic Growth

Question Paper

Course	CIE IGCSE Economics
Section	4. Government & the Macroeconomy
Topic	4.6 Economic Growth
Difficulty	Medium

Time allowed: 20

Score: /16

Percentage: /100

Question 1

Countries in Europe were in a recession in 2012. World oil prices were expected to fall. In fact in 2012, oil prices rose.

Which international events might explain this?

	possible causes of the expected fall in oil prices	possible causes of the oil price rise in 2012
A	European industrial production declined	China increased its car production
B	India invested huge amounts in road building	Japan's economy had negative growth
C	Middle East conflicts made oil supplies uncertain	Saudi Arabia increased oil production
D	new oil exploration in Poland was successful	demand for alternative fuels increased

A.
B.
C.
D.

[1 mark]

Question 2

The table shows the rates of unemployment and real GDP growth for an economy in 2014 and 2018.

	2014	2018
rate of unemployment(%)	3	10
rate of real GDP growth (%)	4	–2

Which combination of policy measures would be **most** effective in returning the economy to the 2014 level of economic activity?

A. a decrease in direct taxes and an increase in the rate of interest

B. a decrease in government expenditure and an increase in the rate of interest

C. an increase in direct taxes and a decrease in the rate of interest

D. an increase in government expenditure and a decrease in the rate of interest

[1 mark]

Question 3

In the past, governments have adopted policies to try to end a recession in their country and increase economic growth.

Which combination of policies is **most** likely to achieve this?

A. lower taxes and decrease government spending

B. lower taxes and increase government spending

C. raise taxes and decrease government spending

D. raise taxes and increase government spending

[1 mark]

Question 4

What is defined as 'a reduction in gross domestic product (GDP) for more than two successive quarters'?

A. deflation

B. falling wages

C. recession

D. rising unemployment

[1 mark]

Question 5

Which combination of policy measures would be effective in reducing the effects of a recession?

A. a reduction in interest rates and a reduction in income tax

B. a reduction in interest rates and an increase in income tax

C. an increase in interest rates and a reduction in income tax

D. an increase in interest rates and an increase in income tax

[1 mark]

Question 6

Which increase is **most** likely to cause a rise in the output of an economy?

A. hyperinflation

B. income taxes

C. interest rates

D. investment

[1 mark]

Question 7

A country has the highest GDP per head in the world.

What is this information most likely to suggest about the country?

A. It has the world's biggest economy.

B. It has the world's fastest economic growth rate.

C. It has the world's greatest size of population.

D. It has the world's highest standard of living.

[1 mark]

Question 8

In 2016, Romania had an increase in its real gross domestic product of 4.8%.

What must this mean about the Romanian economy?

A. Living standards increased by 4.8%.

B. Total consumer income increased by 4.8%.

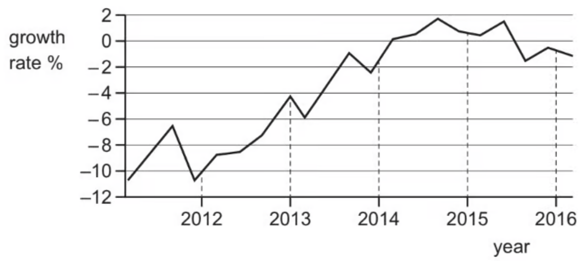
C. Total output of all goods and services adjusted for inflation increased by 4.8%.

D. Total output of manufactured goods adjusted for inflation increased by 4.8%.

[1 mark]

Question 9

The chart shows the GDP annual growth rate (percentage), 2012–2016, for Greece.



In which years did Greece experience the longest period of positive economic growth?

A. 2012–2013

B. 2013–2014

C. 2014–2015

D. 2015–2016

[1 mark]

Question 10

A government uses a mixture of fiscal policy measures and supply-side policy measures to stimulate growth in the economy.

Which combination of policy measures will achieve this?

	fiscal policy measures	supply-side policy measures
A	increase government expenditure	increase skills training
B	increase government investment	increase indirect taxes
C	increase direct taxation	decrease unemployment benefit
D	increase interest rates	decrease money supply

[1 mark]

Question 11

What is the most likely result of a sustained increase in Gross Domestic Product (GDP)?

A. a decrease in living standards

B. a decrease in the budget surplus

C. an increase in tax revenues

D. an increase in unemployment

[1 mark]

Question 12

The table shows the percentage change from 2015–2016 in gross domestic product (GDP) and consumer prices for selected countries.

Which country was suffering from economic recession and inflation?

	country	GDP	consumer prices
A	Australia	+1.8	+1.3
B	Brazil	–2.9	+8.3
C	China	+6.7	+2.0
D	Japan	+1.1	–0.2

[1 mark]

Question 13

An increase in which economic indicator is usually taken as the measure of a country's economic growth?

A. the balance of payments surplus

B. the foreign exchange rate

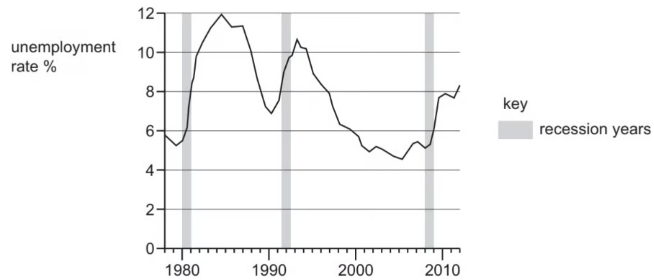
C. the government budget surplus

D. the gross domestic product

[1 mark]

Question 14

The diagram shows the rate of unemployment and the periods of recession in a country between 1978 and 2012.



What can be concluded from the diagram?

A. Each recession lasted for more than two years.

B. Recessions occurred at regular intervals.

C. The unemployment rate peaked in a recession period.

D. The unemployment rate rose during recession periods.

[1 mark]

Question 15

Economic growth is usually measured by the annual change in

A. consumer spending.

B. gross domestic product.

C. the output of the manufacturing and construction industries.

D. the retail price index (RPI).

[1 mark]

Question 16

When is a recession said to occur?

A. Economic growth in the economy falls for at least two consecutive quarters.

B. Gross domestic product (GDP) falls for at least two consecutive quarters.

C. The current account of the balance of payment is in deficit for at least two consecutive quarters.

D. The government experiences a budget deficit for at least two consecutive quarters.

[1 mark]