**Macro-Economic Past Paper Questions**

**TOPIC 3 – THE ROLE OF GOVERNMENT**

2013 Q1b

(*b*) Explain, using examples, the difference between:

(i) a free good and an economic good.

(4)

(ii) a public good and a merit good.

(4)

Discuss the effects of a shift from direct to indirect taxation.

(6)

2012 Q6d

Discuss the effects on individuals of a reduction in direct taxation and an increase in indirect taxation.

(6)

2011 Q1d

Other than low inflation describe **3** economic aims of governments.

(6)

2011 Q3a, b, c

During 2009 the highest rate of Value Added Tax (VAT) was reduced from 17·5% to 15%.

Explain why, in 2009, VAT was cut from 17·5% to 15%.

(4)

Discuss the effects of a shift in the burden of taxation from direct to indirect taxes.

(6)

Explain how the Budget can be used to reduce income inequalities in the UK.

(7)

Explain why Budget deficits are almost inevitable during a recession.

(8)

2009 Q3c

Describe **3** government objectives, other than economic growth.

(6)

Choose any **2** government objectives and explain how they might conflict.

(4)

2008 Q3a,c

Suggest and explain reasons why the UK usually has a deficit on trade in goods and services.

(8)

Suggest and explain measures the government could take to reduce deficits on trade in goods and services in the future.

(9)

2008 Q6b

Explain why economic growth is an aim of governments.

(6)

Describe some of the disadvantages of high rates of economic growth.

(7)

**TOPIC 4 – GOVERNMENT ECONOMIC POLICIES**

2013 Q2d

(*d*) Explain **3** reasons why a multinational firm may choose to locate in Scotland.

(6)

2013 Q3a,b.c

Economic Growth is an important objective of the UK Government.

(i) Explain what is meant by economic growth.

(2)

(ii) Explain why it is desirable for an economy to achieve economic growth.

(4)

Describe **fiscal** and **monetary** measures a government may use to achieve economic growth and explain how they would work.

(10)

Identify **3** other main economic objectives of the UK Government.

(3)

2013 Q6d

Explain how an increase in the production of goods can lead to negative

externalities.

(4)

2012 Q1c

Explain how fiscal policies and the multiplier effect can be used to increase national income.

(10)

2012 Q2b

Explain how monetary policies can assist an economy in returning to economic growth.

(8)

2012 Q6a,b

Markets do not always allocate resources in a way that leads to the best possible outcomes. The term “market failure” has been used to describe this.

Describe **4** examples of “market failure”.

(8)

Explain how the government intervenes to correct market failure.

(6)

2011 Q1a

A basic cause of inflation is the demand for goods rising faster than the supply of

goods.

Explain, using examples, the difference between:

(i) economic goods and free goods;

(ii) private goods and public goods.

(8)

2010 Q2b

Explain, using examples, what is meant by market failure.

(9)

Describe ways in which governments intervene to try to correct market

failure.

(6)

2010 Q4a, c

In August 2008 the rate of inflation reached 4·4%, well above the government’s target. In order to control inflation, a government may use monetary, fiscal and supply-side policies.

Explain the difference between monetary policy and fiscal policy.

(6)

Describe supply-side measures a government could take to reduce the rate of inflation and explain how they would work.

(8)

2009 Q2c

Explain what is meant by monetary policy and fiscal policy and explain how they can be used to increase the level of employment.

(13)

2009 Q5a

Suggest and explain reasons for the record growth of Scottish manufactured exports.

(6)

2007 Q3a, c

The numbers employed in the Scottish manufacturing sector have been falling for several years.

Suggest and explain reasons for the continued decline in employment in the Scottish manufacturing sector.

(7)

Describe fiscal and monetary measures a government could take to increase the level of employment and explain how they would work.

(10)

2007 Q4c

Explain some of the economic problems that could result from a large fall in the UK rate of interest.

(7)