**Economics MCQ – Role of Government in an Economy**

**Q1. By achieving economic growth, the government cannot achieve this aim to attain**

**a. price stability**

**b. lower unemployment**

**c. higher standard of living**

**d. lower level of unequal distribution of Income ( )**

**Q2. What is not a main economic government objective?**

1. A balance of payments deficit
2. Economic growth
3. Full employment
4. Price stability

( )

**Q3. To raise the standard of living in terms of real GDP per capita income, the government needs not have one of the development:**

**A. Higher real GDP**

**B. Lower price level**

**C. Smaller population**

**d. bigger population ( )**

**Q4. Inflation can create one of these negative effects. Which effect is it?**

**a. Increase in the purchasing power of the people**

**b. Increase in competitiveness of the economy**

**c. increase in the cost of production of the economy**

**d. raise the national income of the economy ( )**

**Q5. What might a government decrease if it wishes to slow down the rate of growth in an economy?**

1. Expenditure on defence
2. Goods and services (value added) tax
3. Interest rates
4. The rate of income tax

( )

**Q6. Why might policies to promote economic growth result in inflation?**

1. They increase competition
2. They increase saving
3. They increase spending
4. They increase unemployment ( )

Q7. High unemployment rate creates adverse effects on the economy. Which one is not the adverse effects of high unemployment rate?

A. higher national income for the economy

B. higher degree of unequal distribution of income

C. higher tax revenue

D. higher price level

Q8. Unequal distribution of can be achieved when the government is able to achieve these aims.

A. Higher growth rate and lower price level

B. Higher employment and lower price level

C. Higher taxation and lesser subsidy

D. Lower employment and more subsidy ( )

Q9. If the government is able to achieve competitiveness, the economy is not able to able to achieve \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ .

a. lower inflation rate and higher level of national income

b. more export revenue and lower export price level

c. Higher price of export and higher export revenue

d. Higher export revenue and higher national income ( )

Q10. Higher standard of living means that the people can attain ………..

a. pay higher taxation and have higher income level

b. higher income level and lower price level

c. equal distribution of income and higher price level

d. higher national income and higher price level ( )

**Q9. A government policy results in an increase in government spending and a fall in the market price of a good.**

**What is the government policy?**

1. The application of an indirect tax to a luxury good
2. The introduction of a subsidy to wheat farmers
3. The privatisation of health services
4. The setting of a minimum price for milk

( )

**Q10. In trying to achieve one of its aims of a government may make it difficult to achieve another aim.**

**What is an example of this conflict?**

1. Achieving a more even distribution of income may prevent a rise in the average standard of living.
2. Achieving an increase in economic growth may prevent full employment.
3. Achieving full employment may prevent stable prices.
4. Achieving steady prices may prevent a current account surplus on the balance of payments.

( )

1. Both the annual inflation rate and the economic growth rate fell in Pakistan between 2012 and 2013. Some economists suggested that the Government should try to lower inflation further by reducing government spending. Lower inflation might increase economic activity and reduce unemployment.

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| **(a)** | Define ‘unemployment’. | [2] |
| **(b)** | Explain **two** causes of economic growth. | [4] |
| **(c)** | Analyse how inflation can be the problems of an economy | [6] |
| **(d)** | Discuss why the government wants to achieve economic growth. | [8] |