**Economics MCQ – Chapter 5 – Role of government in an economy**

**Q1. Which aim of government policy is most likely to be achieved by an increased in interest rates?**

1. Economic growth
2. Greater equality of income
3. Full employment
4. Price stability

( D )

**Q2. To raise economic growth, a government reduces the rate of interest, lowers the exchange rate, cuts sales tax and increases the national minimum wage. Which change is a fiscal policy measure?**

1. The cut in sales tax
2. The increase in the national minimum wage
3. The lowering of the country’s exchange rate
4. The reduction in the rate of interest

( A )

**Q3. Government advisers have suggested the following policies to reduce youth unemployment. Which would not increase public expenditure?**

1. A cut in the minimum wage paid to young people
2. A rise in the school-leaving age
3. A subsidy to employers to recruit young people
4. National military service for all

( A )

**Q4. In 2010, the Greek Government proposed the introduced of a restrictive fiscal policy to reduce its budget deficit. What does this mean the government was most likely to do?**

1. Increase exports
2. Increase interest rates
3. Increase its spending
4. Increase taxes

( D )

**Q5. A government wishes to stimulate economic recovery. Which action will assist this?**

1. Decreasing government investment
2. Decreasing income tax
3. Increasing indirect taxation
4. Increasing interest rates

( B )

**Q6. An**

1. A c

( )

**Q7. An**

1. A c

( )

**Q8. An**

1. A c

( )

**Q9. An**

1. A c

( )

**Q10. An**

1. A c

( )

**Q11. An**

1. A c

( )

**Q12. An**

1. A c

( )

**Q13. An**

1. A c

( )

**Q14. An**

1. A c

( )

**Q15. An**

1. A c

( )

**Q16. An**

1. A c

( )

**Q2. A merchant travels abroad for a few days to buy samples of low-value goods from a range of manufacturers. Which property of money would be least necessary for this to take place smoothly?**

1. Acceptability
2. Divisibility
3. Durability
4. Portability

( )

**Q3. Why do banknotes function as money?**

1. They are backed by gold.
2. They are durable.
3. They are generally acceptable.
4. They have intrinsic value.

( )

**Q4. Which function is performed by both commercial banks and central banks?**

1. Acting as bankers to the government
2. Advising the government on monetary policy
3. Dealing in foreign exchange
4. Fixing the main interest rate

( )

**Q5. An individual has various financial assets. What is the most easily available as cash?**

1. A current (checking) bank account
2. Government bonds
3. Share certificates in a public company
4. Time deposits in a savings bank

( )