How the government manages the economy – GCSE Economics Paper 2

1. No.1

Which of the following is the most likely effect of a large increase in interest rates?

[1 mark]

A Increased borrowing ⬭

B Increased consumer spending ⬭

C Increased economic growth ⬭

D Increased saving ⬭

2. No.3

Which of the following is an example of a supply-side policy?

[1 mark]

A Decreased direct taxes ⬭

B Decreased investment in education ⬭

C Increased taxes on business profits ⬭

D Increased trade union power ⬭

3. No.7

Which of the following identifies the most likely effects of a significant decrease in tax rates?

[1 mark]

	Effect on economic growth	Effect on unemployment	
A	Decrease	Decrease	⬭
B	Decrease	Increase	⬭
C	Increase	Decrease	⬭
D	Increase	Increase	⬭

4. No.16

State **two** policies that may be used to correct market failure caused by positive externalities.

[2 marks]

Policy 1 ____

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Policy 2 ____

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