

# Macroeconomic policy (A level)

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Multiple choice questions by topic [with answers](#)

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- Policies towards developing economies; policies of trade and aid
- Government macroeconomic intervention

In country X the government aims to protect jobs.

Which policy is most likely to succeed?

- A** decrease restrictions on immigrant labour
- B** decrease subsidies to domestic producers
- C** increase general tariffs on imports
- D** remove quotas on imports

Answer C

Government economic advisers disagree over the relative impact of fiscal and monetary controls.

What is most likely to be the first stage at which a time lag will occur?

- A** in the introduction of the chosen policy
- B** in the operational effectiveness of the policy
- C** in the recognition of the existence of the problem
- D** in the selection of the appropriate policy

Answer D

Which policy pursued by a central bank represents a contractionary monetary policy?

- A** a reduction in the interest rate at which it will lend to banks
- B** a reduction in the minimum cash to deposit ratios of banks
- C** the purchase of foreign currency to influence the country's exchange rate
- D** the sale of government bonds in the open market

Answer D

Which policy's principal aim is to ensure sound public finances?

- A** environmental policy
- B** fiscal policy
- C** monetary policy
- D** supply-side policy

Answer B

What is most likely to be an appropriate government action to reduce both a balance of payments current account surplus and the rate of inflation?

- A** decrease the rate of interest
- B** devalue the currency
- C** increase direct taxes
- D** remove tariffs on imports

Answer D

Which combination of policies is **most** likely to increase output?

	fiscal policy	monetary policy
<b>A</b>	decrease budget deficit	decrease interest rates
<b>B</b>	decrease budget deficit	increase interest rates
<b>C</b>	increase budget deficit	decrease interest rates
<b>D</b>	increase budget deficit	increase interest rates

Answer C