AQA A-LEVEL ECONOMICS · 7136

ECONOMICS



EXAM QUESTION PACK

3.2.1.1 THE OBJECTIVES OF GOVERNMENT ECONOMIC POLICY

SCORE	PERCENTAGE
/51	%

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1. The table below contains index number data for an economy's GDP, population size and its price level for the years 2005 and 2014. All three indices have 2005 for their base year.

	GDP	Population	Price level
2005	100	100	100
2014	200	120	150

Using the data, the increase in real GDP per capita between 2005 and 2014 is approximately

A 10%. ⬭

B 20%. ⬭

C 50%. ⬭

D 100%. ⬭

[1 mark]

2. **The Global Context Extract C** (lines 9–11) states: 'However, the tax summaries have been heavily criticised in that they may make individuals more inclined to support political parties which favour lower taxes, without considering the wider picture of what state spending provides.'

Using the data and your knowledge of economics, to what extent do you agree that cuts to direct taxation would benefit growth **and** living standards in the UK?
Justify your answer.

[25 marks]

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3.

THE GLOBAL CONTEXT

Extract C: Where does tax go in the UK?

In the UK, from November 2014, HM Revenue & Customs will begin sending 24 million working people the first Annual Tax Summary, showing how their money is being spent by the state, in order to make taxation more transparent. For example, someone on a salary of £30 000 will see that £1663 of their money is spent on welfare, with £1280 going to health, £892 going to education, £822 going to the state pension and £475 going on national debt interest. Ministers believed that showing exactly where taxpayers' money goes could make voters more receptive to controversial Government changes to the benefits system.

However, the tax summaries have been heavily criticised in that they may make individuals more inclined to support political parties which favour lower taxes, without considering the wider picture of what state spending provides. The breakdown does not make clear that most of the welfare budget goes to pensioners, the sick and disabled people. The Treasury originally planned to show just 3% went towards unemployment benefits while much larger amounts went to children and families, elderly people and those unable to work, but this has been left off the tax summaries.

A Labour Party spokesperson said: 'This government's record on tax is giving millionaires a huge tax cut while everyone else pays more.' She added: 'Families and pensioners are paying more in higher VAT, but that tax isn't included in these tax summaries and independent figures from the Institute of Fiscal Studies show that, by next year, families will be £974 a year worse off because of tax and benefit changes since 2010.'

Source: news reports, 2014

4.

The economies of Mexico, Indonesia, Nigeria and Turkey (MINT) have all been identified as the next main emerging market economies with high rates of growth. However, there are warnings that what goes up will eventually come down.

Evaluate the view that living standards must be rising in economies which are experiencing economic growth.

[25 marks]

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