

# Economics exam questions

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Define Disposable Income: Disposable income is the amount or flow of money and income that someone has after taxes to spend. It can also be the money that someone may gain through different things such as benefits (welfare), wages after taxes. Using Extract A, identify two significant points of comparison between public expenditure as a percentage of GAP and unemployment over the period shown. At the beginning of the period, public spending as a percentage of GAP was lower than at the end of the period. It went from 39% at the beginning to 47% at the end. On the other hand, unemployment was higher at the start and lower at the end.

Unemployment went from 1. Million to around 1. 6 million. Secondly, public expenditure as a percentage of GAP was lowest around 1999 to 2000 at 36% of GAP and highest around 2009 to 2010 at 47%. However, unemployment was lowest around 2004 to 2005 and at 2007 to 2008 at 0. 8 million and was highest around 1993 to 1995 at 2. 8 million. Extract B (line 9) states that 'cuts in public expenditure are also likely to reduce aggregate demand'.

Explain why cuts in public expenditure are likely to reduce aggregate demand. Public expenditure cuts could include cuts in benefits such as welfare benefits.

A cut in welfare benefits could lead to a reduction in disposable income for some people and will hence reduce aggregate demand. Secondly, cuts in public expenditure could lead to redundancies in public sector jobs like nurses or police. The people made redundant will become unemployed and will therefore have less money to spend on goods hence reducing aggregate demand. Another point is that some public expenditure is used by the private sector for goods and services for example roads, and by making cuts,

companies will witness a fall in demand for their products and services.

Economics Exam Questions By Run-Whalen