

Questions *Macroeconomics* (with answers)

4 Tax and fiscal policy

01 Tax 1

What is the difference between direct and indirect taxes?

02 Tax 2

Calculate the marginal tax:

Income	Average tax rate
30'000	22 %
50'000	26 %

03 Tax 3

Are these taxes progressive, regressive or proportional?

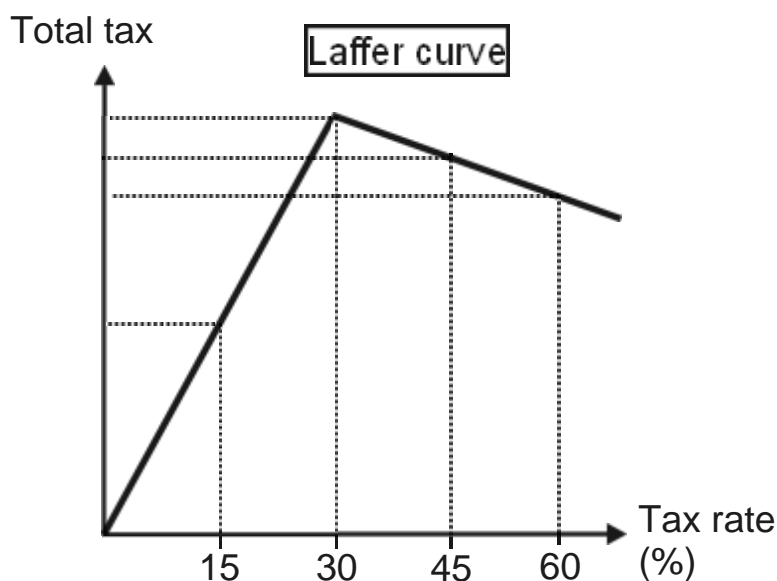
Income	Tax 1	Tax 2	Tax 3	Tax 4
10'000	2'000	2'000	2'000	2'000
20'000	4'000	3'000	6'000	6'000
30'000	6'000	3'600	12'000	7'500

04 Tax 4

A tax causes a rise in the GINI coefficient. Is the tax progressive, regressive or proportional? Use also Lorenz curves to answer the question.

05 Tax 5

Is it advisable to increase the tax rate from 30 % to 45 %?



06 Fiscal policy 1

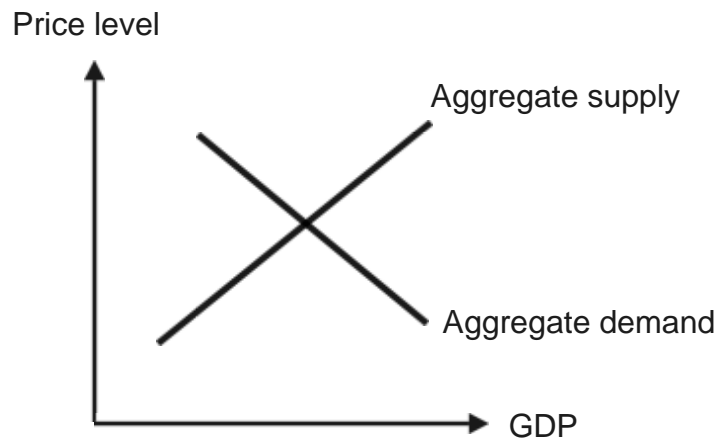
Economy with a problem of unemployment:



- ① Illustrate the size of the change in aggregate demand to get to the full employment level of GDP.
- ② How can the multiplier be measured?

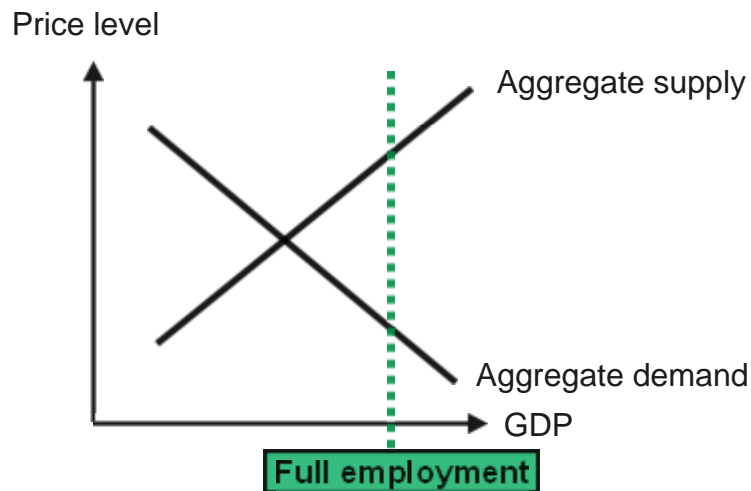
07 Fiscal policy 2

The government plans to increase spending (G). What is the impact on the price level and on output?



08 Fiscal policy 3

Which possibilities does a government have to achieve full employment? Mention also examples.

**09 Fiscal policy 4**

The government reduces taxes by 20. The marginal propensity to consume (MPC) is 0.8.

- ① By how much does aggregate demand initially change?
- ② What is the total effect of the tax cut on aggregate demand (GDP) by taking the multiplier into consideration?

10 Fiscal policy 5

An increase in government spending (G) of 12 causes a rise in GDP of 40. Calculate the marginal propensity to consume (MPC).

→ [Answers. Click here!](#)