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|---------------|---------------------------|
| SUBJECT: | Economics |
| PAPER NUMBER: | I |
| DATE: | 15 th May 2023 |
| TIME: | 9:00 a.m. to 11:05 a.m. |

This paper has two sections. Answer **ANY FOUR** questions. Questions carry 25 marks each.

SECTION A: MICRO ECONOMICS

1. In a free market economy, prices are determined by the forces of supply and demand. Table 1 below shows the supply and demand schedules for spaghetti:

Table 1

| Price (€) | Quantity supplied (packets of spaghetti per month) | Quantity demanded (packets of spaghetti per month) |
|-----------|---|---|
| 0.50 | 100 | 700 |
| 1.50 | 300 | 500 |
| 2.50 | 500 | 300 |
| 3.50 | 700 | 100 |

- a) Define the law of supply. (2)
- b) Plot the demand and supply curves on the graph paper provided and clearly mark the equilibrium price. (5)
- c) Mention **THREE** benefits of the free market economy. (3)
- d) Following the war in Ukraine and its negative consequences on global trade, a new supply schedule is derived in Table 2 below:

Table 2

| Price (€) | Quantity supplied (packets of spaghetti per month) |
|-----------|---|
| 1.50 | 100 |
| 2.50 | 300 |
| 3.50 | 500 |
| 4.50 | 700 |

- Plot the new supply curve on the same graph you plotted in part (b) above and explain how the equilibrium price changes. (5)
- e) Suppose the government considers the new equilibrium price to be too high for consumers, and decides to set a price-ceiling on spaghetti.
- (i) What is a price-ceiling? (2)
- (ii) For a price-ceiling to be effective, should it be placed above or below the equilibrium price? (1)
- (iii) Given the new equilibrium price mentioned in part (d) above, what would be the value of the price-ceiling if the result on this market is a shortage of 400 packets of spaghetti per month? (3)
- (iv) Indicate this shortage on the same graph used in parts (b) and (d) above. (1)
- f) List **THREE** other ways how the government can intervene in the market besides setting a price-ceiling. (3)

(Total: 25 marks)

2. You are hired as an economic consultant for a new airline called Fly Malta. Table 3 below refers to the production table, given different levels of factor inputs.

Table 3

| Capital (number of aircrafts) | Labour (number of pilots) | Total Product (number of flights) |
|---|-------------------------------------|---|
| 4 | 0 | 0 |
| 4 | 4 | 50 |
| 4 | 8 | 120 |
| 4 | 12 | 170 |
| 4 | 16 | 200 |
| 4 | 20 | 210 |

- a) In which stage of production is Fly Malta operating? Give a reason for your answer. (2)
- b) Using the information in Table 3 above:
 - (i) Calculate the Marginal Product of Labour (MP_L) and the Average Product of Labour (AP_L). (4)
 - (ii) Plot MP_L and AP_L together on the graph paper provided. (5)
- c) (i) Define the law of diminishing marginal returns. (2)
- (ii) At what output level do diminishing marginal returns set in? (1)
- (iii) Indicate this on the graph you plotted in part (bii). (1)
- d) Fly Malta is operating in the short run. Explain how we know this, by referring to the data in Table 3. (3)
- e) Explain division of labour and provide **ONE** example. (4)
- f) Mention **TWO** advantages and **ONE** disadvantage of division of labour. (3)

(Total: 25 marks)

3. Suppose that, after a drop of 15% in real disposable income, the quantity demanded of the following football-related goods changes in Table 4 as follows:

Table 4

| Type of good | Change in quantity demanded |
|------------------------------|------------------------------------|
| Official match ball | - 9% |
| Replica ball | + 3% |
| Tickets for a football match | - 20% |

- a) Define real disposable income. (2)
- b) Provide the formula for Income Elasticity of Demand (YED). (1)
- c) Calculate and interpret the YED of:
 - (i) Official match ball; (4)
 - (ii) Replica ball; and (4)
 - (iii) Tickets for a football match. (4)
- d) Supposing our economy is heading into a recession, which of the three products in Table 4 above would you rather sell? Give a reason for your answer. (3)
- e) List **THREE** determinants of Price Elasticity of Supply (PES). (3)
- f) What would you expect the Price Elasticity of Supply of tickets to a football stadium to be in the short run? Explain your answer by means of a diagram. (4)

(Total: 25 marks)

SECTION B: MACRO ECONOMICS

4. "The euro area economy has continued its strong post-pandemic recovery in 2022, but economic activity is set to slow down in 2023, partly as a result of high inflation. Despite high inflation, private consumption has continued to recover in the first three quarters of 2022, thanks to the reopening of all contact services, increased public spending and governments' support to reduce the impact of high energy prices. Nonetheless, in 2023, the energy price shock, as a result of Russia's war in Ukraine, is significantly affecting the price of imports relative to exports in the euro area economy and, in turn, households' real disposable incomes and firms' real profits."

Source: Adapted from the European Commission, 2022

- a) (i) What are National Accounts? (1)
 (ii) Mention **ONE** use of these statistics. (2)
- b) (i) List **THREE** methods by which National Income is measured. (3)
 (ii) Briefly explain **each** method and explain why all three methods should provide identical answers. (3)
- c) Discuss **TWO** difficulties encountered when measuring Gross Domestic Product (GDP). (4)
- d) The circular flow of income shows connections between different sectors in the economy. Draw a circular flow of income, including **TWO** withdrawals and **TWO** injections. (4)
- e) (i) Referring to the circular flow of income diagram from (d), explain the meaning of injections and withdrawals. (2)
 (ii) From the extract above, and making reference to injections and withdrawals, analyse what is expected to happen to the size of the circular flow of income. (2)
- f) Discuss **TWO** ways how the Russia-Ukraine war has impacted EU countries' national income differently. (4)

(Total: 25 marks)

5. In October 2022, the number of persons registering for work stood at 984 decreasing by 270 when compared to the corresponding month in 2021.

Source: National Statistics Office (NSO 2022)

- a) Distinguish between the working population and the labour supply. (2)
- b) What is the difference between demand-side and supply-side unemployment? (4)
- c) (i) Name the organisation responsible for recording registered unemployment. (1)
 (ii) Since registered unemployment fell, does this necessarily mean that unemployment has fallen? State the reason for your answer. (2)
- d) For **each** of the following scenarios indicate which type of unemployment they are experiencing and whether it is demand side or supply side:
- (i) Ben was working in an ice cream shop in the summer but was made redundant during the winter period. (2)
- (ii) Liam was working in an audit firm as an auditor, but an opportunity came up to work as a financial controller of a manufacturing company. He has just resigned and is waiting to start his new job. (2)
- (iii) Rachel was working in a DVD rental shop, which has now closed due to people resorting more to online streaming services. (2)
- (iv) During the pandemic the economies worldwide experienced a recession and Leah was made redundant from her work as a pilot. (2)
- e) List **TWO** costs and **TWO** benefits of unemployment. (4)
- f) Describe **TWO** government policies to reduce unemployment. (4)

(Total: 25 marks)

Please turn the page.

6. Figure 1 below shows Malta’s economic growth rate across the past ten years from 2011 to 2021.

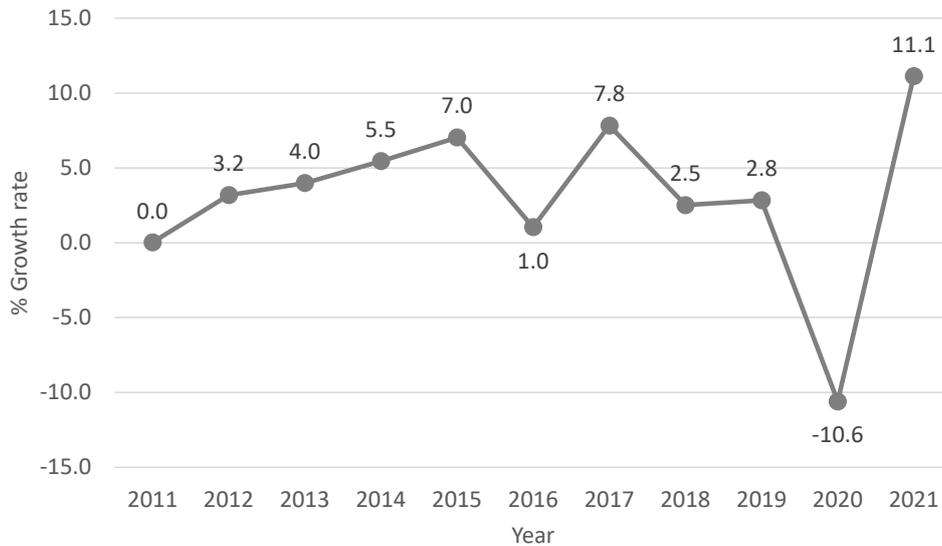


Figure 1: Growth rates for the Maltese economy

Source: National Statistics Office, 2022

- a) (i) Define economic growth. (2)
- (ii) How is economic growth measured? (1)
- b) Consider the information in Table 5 below and calculate real GDP for 2021. (4)

Table 5

| Year | Real GDP (€ 000s) | Population (000s) |
|------|-------------------|-------------------|
| 2019 | 11,549,200 | 504.7 |
| 2020 | 10,552,800 | 515.9 |
| 2021 | ? | 518.7 |

- c) (i) Sketch a Production Possibility Curve (PPC) assuming full employment. (2)
- (ii) What does a point below the PPC curve represent? (1)
- (iii) What does a point above the PPC curve represent? (1)
- (iv) What contributed to the fall in economic growth in 2020? (2)
- d) Provide **TWO** benefits of economic growth. (4)
- e) Explain **TWO** measures that the government may take to bring about long-term economic growth for Malta. (4)
- f) An increase in a country’s economic growth does not necessarily mean that its population is better off. By means of **TWO** examples, explain why this is so. (4)

(Total: 25 marks)



| | |
|---------------|---------------------------|
| SUBJECT: | Economics |
| PAPER NUMBER: | IIA |
| DATE: | 16 th May 2023 |
| TIME: | 9:00 a.m. to 11:05 a.m. |

This paper has two sections. Answer **FOUR** questions, at least **ONE** from **each** section.
Questions carry 25 marks each.

SECTION A: MICRO ECONOMICS

1. To help the economy recover from the Covid-19 recession the government supported the construction industry, in the attempt to create more jobs and boost spending. At the same time, over-construction results in environmental degradation, repelling tourists away, and thereby undermining the benefits of the same investment.

Source: Times of Malta, 2023

- Economics is the study of choice. Explain how individuals, firms and governments are forced to make choices. Give **ONE** example for **each**. (6)
- What is opportunity cost? How does the economic concept of opportunity cost feature in the above information? (4)
- List the **FOUR** incomes of the factors of production and give an example of **each** factor of production in relation to either the construction or tourism industries. (8)
- The Beverage Container Refund Scheme (BCRS) has been recently launched in Malta with the aim of protecting the environment. Explain how the BCRS can achieve its aim by including the terms 'non-durable goods', 'non-renewable resources', 'scarcity' and 'negative externalities' in your explanation. (7)

(Total: 25 marks)

2. Last year the government issued a proposal for public consultation, to stop landowners from forcing farmers out from the agricultural land they tilled. While making sure that landowners received a fairer rent the government wanted to protect farmers and healthy food supply in Malta.

Source: Times of Malta, 2022

- Healthy agricultural food can be considered as a merit good.
 - What is a merit good? (2)
 - Why would the government have to intervene to increase its supply? (2)
 - Mention **TWO** examples of merit goods apart from the one mentioned in the information above. (2)
- In what way has economic activity in the primary sector been changing over the past years in Malta? Explain the reason behind this. (5)
- Describe the main roles of Maltese institutions Environment and Resources Authority (ERA) and Planning Authority (PA). (6)
- Suppose you want to set up a new firm in the manufacturing industry. Discuss **FOUR** factors that you will consider when deciding on the location of your business in Malta. (8)

(Total: 25 marks)

3. Cristiano Ronaldo was granted an annual net salary of \$214 million, after signing with Saudi Arabian club Al Nassr. Their local rivals, Al Hilal wanted to sign in World Cup champion Lionel Messi, offering him an annual net salary of \$352 million.

Source: Mirror.co.uk, 2023

- a) Demand for labour is derived demand. Explain this by referring to the above information. (3)
- b) Describe **THREE** factors that influence demand for labour. (6)
- c) Wage differences can be explained through the forces of demand and supply. With the use of diagrams, explain why it is that certain football players earn more than others. (8)
- d) The current minimum wage in Malta stands at €192.73 per week. This was increased from €182.83 last year. Discuss **TWO** benefits and **TWO** costs that are likely to occur as a result of this increase in the minimum wage. (8)

(Total: 25 marks)

4. Google, NVIDIA and Sony are complaining about Microsoft’s plans to acquire Activision, a video game company. “The issues they’re raising are that Microsoft may gain an unfair advantage in the cloud gaming, subscription and mobile spaces through this deal [...] It’s unclear whether Microsoft will eventually be able to convince regulators of their position here.”

Source: Forbes.com, 2023

- a) Distinguish between internal growth and integration. Give an example of **each** one, by referring to existing firms. (6)
- b) Describe **THREE** possible reasons behind Microsoft’s plans to take-over of Activision. (6)
- c) Are Google, NVIDIA and Sony seeing this take-over deal as a step towards perfect competition or monopoly? Explain the reason for your answer and describe the main characteristics of **both** market structures. (7)
- d) Discuss **THREE** reasons why regulators may **not** allow this deal to proceed. (6)

(Total: 25 marks)

SECTION B: MACRO ECONOMICS

5. Following a decade-long of ultra-low interest rates, between July and December 2022, the European Central Bank raised its key interest rates. At a time when debt has been on the rise, such rate increases could pose debt repayment difficulties for some households.

Source: Central Bank of Malta, 2022

- a) (i) Define the term money. (2)
- (ii) List **THREE** characteristics of money. (3)
- b) (i) How are interest rates determined? (2)
- (ii) What role do interest rates play in financial markets? (3)
- c) With reference to the passage above explain **ONE** reason why interest rates are increasing and **TWO** possible impacts on private banks if households find difficulties in repaying their loans. (5)
- d) (i) List and explain **THREE** functions of the Central Bank of Malta (CBM). (6)
- (ii) List and describe **TWO** types of organisations involved in the financial industry in Malta other than the CBM. (4)

(Total: 25 marks)

6. Europe was already experiencing high inflation rates at the start of 2022. Russia’s attack on Ukraine led to a noticeable shortage of important goods, above all, energy and agricultural products. The result was even higher inflation rates, which in some cases reached double digits. A high inflation rate dampens economic development through various channels. The most important of these include a decline in demand for consumer and investment goods.

Source: New Perspective on Global & European Dynamics, 2022

- a) Define (i) inflation, (ii) hyperinflation and (iii) suppressed inflation. (2,2,2)
- b) (i) Briefly explain demand-pull and cost-push inflation. (4)
- (ii) Explain what type of inflation Europe is experiencing at the moment. Provide **ONE** reason for your answer. (3)
- c) Given the current circumstances, many economists are fearing that the high inflation will develop into a wage-price spiral.
- (i) Explain what is meant by an inflationary wage-price spiral. (2)
- (ii) Describe **TWO** reasons why inflationary wage-price spiral would be a major cause of concern, particularly for a small island economy such as Malta, an economy that is highly dependent on its exports. (4)
- d) Discuss **TWO** different policies that may be used by the government and by monetary authorities to reduce inflation. (6)

(Total: 25 marks)

7. When compared to 2019, the population increase in Malta was mainly due to net migration. The revised total population of Malta at the end of 2020 stood at 516,100. In 2019, persons under 18 numbered 84,254, while 96,201 were aged 65 and over. Whereas, in 2020, persons under 18 numbered 86,318, while 97,418 were aged 65 and over. Table 1 below shows statistics on the composition of the population change from 2019 to 2020.

Table 1

| | Males | Females | Total |
|----------------------|--------------|----------------|--------------|
| Population end 2019 | 265,762 | 248,802 | 514,564 |
| Births (2020) | 2,283 | 2,131 | 4,414 |
| Deaths (2020) | 2,116 | 1,968 | 4,084 |
| Net Migration (2020) | 1,010 | 196 | 1,206 |
| Population end 2020 | 266,939 | 249,161 | 516,100 |

National Statistics Office, 2022

- a) (i) What is meant by (i) birth rate, (ii) death rate, and (iii) net migration? (1,1,2)
- (ii) What is the difference between the birth rate and the death rate called? (1)
- b) Consider Table 1 and the passage above, and assume that the school leaving age is 18 and the retirement age is 65 then calculate the following for **both** years: (i) Dependent population; (ii) Working population; and (iii) Dependency ratio. Discuss the differences, if any, between both years for **each** of the indicators calculated. (6)
- c) Explain how any **FOUR** changes in Malta’s standard of living and economic welfare are affecting Malta’s demographic situation. (8)
- d) (i) With a land area of 315.6 km², Malta’s population density is one of the highest in the world. Given the total size of its population, calculate Malta’s population density per km² for 2020. (1)
- (ii) What is the significance of this figure when assessing the use of the island’s scarce resources and what should the government’s policy be in this regard? (5)

(Total: 25 marks)

Please turn the page.

8. 'The Government has shielded the Maltese economy from higher energy prices. Indeed, Government support in energy and food will amount to €472.5 million in 2022. In 2021, the general Government balance reported a deficit of 8.0 per cent of GDP, while the debt-to-GDP ratio in 2021 stood at 56.4 per cent.'

Source: Pre-Budget 2023 Consultation document, 2022

- a) What is the difference between government deficit and national debt? (4)
- b) (i) Describe **TWO** ways how a government may finance its budget deficit. (4)
- (ii) Distinguish between progressive, proportional and regressive taxation. (6)
- c) If you were an economist within the Ministry for Finance and Employment, would you be more inclined to argue in favour of a direct or an indirect tax? Provide your recommendation by describing **THREE** advantages of the form of taxation you would argue in favour of and **TWO** disadvantages of the other form of taxation. (5)
- d) The increase in support by the government to control the increases in energy prices is leading to higher debt levels and budget deficits. Provide **THREE** reasons why the government is still opting to provide support to Maltese households and businesses. (6)

(Total: 25 marks)



| | |
|---------------|---------------------------|
| SUBJECT: | Economics |
| PAPER NUMBER: | IIB |
| DATE: | 16 th May 2023 |
| TIME: | 9:00 a.m. to 11:05 a.m. |

This paper has two Sections. Answer **FOUR** questions, at least **ONE** from **each** section. Questions carry 25 marks each.

SECTION A: MICRO ECONOMICS

1. Economics is the study of choice. For every choice we make there is an opportunity cost. People are forced to make a choice because of the basic economic problem of scarcity.
 - a) What is meant by scarcity in Economics? (3)
 - b) What is opportunity cost? Give **ONE** example. (4)
 - c) In deciding how to produce, firms have to make use of the factors of production. List of the **FOUR** factors of production. (4)
 - d) Identify the factor of production which the following fall under:
 - (i) Construction workers; (1)
 - (ii) scaffolding; (1)
 - (iii) limestone; (1)
 - (iv) landowner; (1)
 - (v) truck; (1)
 - (vi) contractor. (1)
 - e) Why is using renewable resources better than non-renewable resources when dealing with the basic economic problem? (4)
 - f) Mention **TWO** negative externalities that construction can have on society. (4)

(Total: 25 marks)

2. While making sure that landowners receive a fair rent, the government wants to protect Maltese farmers and make sure there is healthy food supply in Malta.
 - a) Define the following goods:
 - (i) merit goods; (1)
 - (ii) demerit goods; and (1)
 - (iii) public goods. (1)
 - b) Give **ONE** example for **each** of the following: merit; demerit; and public goods. (3)
 - c) Classify the following as primary, secondary or tertiary sector production:
 - (i) farming; (1)
 - (ii) hairdressing; (1)
 - (iii) fishing; (1)
 - (iv) bottling; (1)
 - (v) construction; and (1)
 - (vi) gaming; (1)

This question continues on next page.

- d) As time goes by, different economic sectors change in size:
- (i) Explain **ONE** reason why the primary sector in Malta is getting smaller. (3)
 - (ii) Explain **ONE** reason why the tertiary sector in Malta is growing. (3)
- e) List **THREE** factors a businessperson will consider when deciding where to locate his/her manufacturing business. (3)
- f) Describe the role of the Environment and Resources Authority (ERA). (4)

(Total: 25 marks)

3. Cristiano Ronaldo was offered an annual net salary of \$214 million after signing with Saudi Arabian club Al Nassr. Their local rivals, Al Hilal wanted to sign up World Cup champion Lionel Messi, offering him an annual net salary of \$352 million.

Source: Mirror.co.uk, 2023

- a) Demand for labour is derived demand. Explain what this means. (2)
- b) Describe **TWO** factors that influence demand for labour. (6)
- c) Would you expect the supply of skilled labour to be elastic or inelastic? Give **TWO** reasons why. (5)
- d) Wage differences can be explained through the forces of demand and supply. Sketch diagrams to show the following:
 - (i) The change in the equilibrium wage of unskilled workers following an increase in demand for the services of these workers. (3)
 - (ii) The change in the equilibrium wage of highly skilled workers following an increase in demand for their services. (3)
- e) What is a minimum wage? (2)
- f) This year the minimum wage in Malta was increased from €182.83 to €192.73 per week.
 - (i) Mention **ONE** benefit of setting a minimum wage. (2)
 - (ii) Mention **ONE** problem of setting a minimum wage. (2)

(Total: 25 marks)

4. Google, NVIDIA and Sony are complaining about Microsoft's plans to acquire Activision, a video game company. "The issues they're raising are that Microsoft may gain an unfair advantage in the cloud gaming, subscription and mobile spaces through this deal [...] It's unclear whether Microsoft will eventually be able to convince regulators of their position here."

Source: Forbes.com, 2023

- a) Distinguish between internal growth and external growth. (4)
- b) Identify the type of integration that is taking place in the scenarios below:
 - (i) McDonald's with Burger King; (1)
 - (ii) McDonald's with Golden Harvest bakery; (1)
 - (iii) Burger King with Bolt; (1)
 - (iv) McDonald's with Starbucks; and (1)
 - (v) Burger King with Gucci clothes. (1)
- c) Choose any **TWO** types of integration from your answer to part (b) above and give **ONE** possible reason behind **each** one. (4)
- d) List **TWO** types of market structures. (2)
- e) Describe **THREE** characteristics for any **ONE** of the market structures that you listed in part (d) above. (6)
- f) Such integrations may result in firms getting closer to becoming a monopoly. List **TWO** disadvantages of a monopoly. (4)

(Total: 25 marks)

SECTION B: MACRO ECONOMICS

5. Following a decade-long of ultra-low interest rates, between July and December 2022, the European Central Bank raised its key interest rates. At a time when debt has been on the rise, such rate increases could pose debt repayment difficulties for some households.

Source: Central Bank of Malta, 2022

- a) List **TWO** characteristics of money. (4)
- b) List and explain any **TWO** functions of money. (4)
- c) Explain how an increase in interest rate affects **each** of the following:
 - (i) borrowers; (2)
 - (ii) investors; and (2)
 - (iii) savers. (2)
- d) List and explain **TWO** functions of the Central Bank of Malta (CBM). (4)
- e) The Malta Financial Services Authority (MFSA) is another organisation involved in the financial industry in Malta. List and explain **ONE** role of this organisation. (3)
- f) Explain **ONE** possible impact on private banks if households find difficulties in repaying their loans. (4)

(Total: 25 marks)

6. Europe was already experiencing high inflation rates at the start of 2022. Russia's attack on Ukraine led to a noticeable shortage of important goods, above all, energy and agricultural products. The result was even higher inflation rates, which in some cases reached double digits. A high inflation rate dampens economic development through various channels. The most important of these include a decline in demand for consumer and investment goods.

Source: New Perspective on Global & European Dynamics, 2022

- a) Define inflation and hyperinflation. (4)
- b) Briefly explain demand-pull inflation. (4)
- c) Europe is currently experiencing cost-push inflation. List and explain **ONE** reason why this is the case. (4)
- d) Explain **TWO** effects of inflation on
 - (i) consumers; (2)
 - (ii) small business owners; and (2)
 - (iii) multinational businesses. (2)
- e) Higher inflationary pressures bring about demand for higher wages, which leads to higher production costs and further upward pressure on prices.
 - (i) What is this phenomenon called? (1)
 - (ii) Why is this a major cause of concern? (2)
- f) Discuss **ONE** policy that may be used by the government or by the Central Bank of Malta (CBM) to reduce inflation. (4)

(Total: 25 marks)

Please turn the page.

7. When compared to 2019, the population increase was mainly due to net migration. The revised total population of Malta at the end of 2020 stood at 516,100. In 2019, persons under 18 numbered 84,254, while 96,201 were aged 65 and over. Whereas in 2020, persons under 18 numbered 86,318, while 97,418 were aged 65 and over. Table 1 shows statistics on the composition of the population change from 2019 to 2020.

Table 1

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National Statistics Office, 2022

- a) Define the following:
- (i) birth rate; (1)
 - (ii) death rate; and (1)
 - (iii) net migration. (2)
- b) What is the difference between the birth rate and the death rate called? (1)
- c) Explain the effects of improvements in Malta's standard of living and economic welfare on the following:
- (i) birth rate; and (2)
 - (ii) death rate. (2)
- d) Assuming that the school leaving age is 18 and the retirement age is 65, from Table 1 and passage above, calculate the following for **both** years:
- (i) dependent population; (2)
 - (ii) working population; and (2)
 - (iii) dependency ratio. (2)
- e) List and explain **TWO** implications of an increasing dependency ratio. (4)
- f) (i) Malta's population density is one of the highest in the world standing at 1,635 persons per Km². What is the significance of this figure when assessing the use of the island's scarce resources, particularly land area? (3)
- (ii) What should the government's policy be in this regard? (3)

(Total: 25 marks)

8. 'The Government has shielded the Maltese economy from higher energy prices. Indeed, Government support in energy and food will amount to €472.5 million in 2022. In 2021, the general Government balance reported a deficit of 8.0 per cent of GDP, while the debt-to-GDP ratio in 2021 stood at 56.4 per cent.'

Source: Pre-Budget 2023 Consultation document, 2022

- a) Define government deficit and national debt. (4)
- b) Describe **TWO** ways how a government may finance its budget deficit. (4)
- c) (i) What is the difference between a direct tax and an indirect tax? (4)
- (ii) Provide **ONE** example of a direct tax and **ONE** example of an indirect tax. (2)
- d) Provide **ONE** argument in favour of indirect taxes as opposed to direct taxes. (3)
- e) Distinguish between progressive and regressive taxation. (4)
- f) The increased government efforts to control the rising energy prices is leading to higher debt levels and budget deficits. Explain **TWO** reasons why the government is still opting to provide such support to Maltese households and businesses. (4)

(Total: 25 marks)