

Short Answer Questions

Chapter 39.

1. Why is timely and accurate information essential to effective economic decision-making? Illustrate your answer with a suitable example.
2. Explain some of the reasons why economic forecasting can be largely inaccurate. (At the 2011 Davos World Economic Forum, one delegate put the success rate of economic forecasting at just 3 to 4 out of ten!)
3. Does the idea of the 'Black Swan' mean that economic forecasting should be abandoned?
4. Explain the difference between a structural and a cyclical deficit.
5. Why do some economists argue that reducing budget deficits is vital to improving economic stability and welfare?
6. What is meant by the term 'output gap' and why is it important in assessing the impact of cyclical and structural deficits?
7. Present a case arguing against a balanced budget.
8. What is the role and purpose of macroprudential policy?
9. To what extent are the practical difficulties
10. To what extent would you agree with the suggestion that governments have a responsibility to intervene more widely in the economy to deal with the sort of problems that have been witnessed in the aftermath of the financial crisis?