

1. Basic economic ideas and resource allocation

Starter Quiz ·

A-Level Economics

Name: _____ Score: _____

1. The basic economic problem arises because:
 - ☐ people are lazy
 - ☐ wants are unlimited but resources are finite
 - ☐ prices are too high
 - ☐ governments tax too much
2. Which is a positive statement?
 - ☐ Unemployment rose to 5% last year
 - ☐ Pensions ought to be higher
 - ☐ The government should cut taxes
 - ☐ Inequality is unfair
3. In economics, "capital" means:
 - ☐ a country's capital city
 - ☐ money in the bank
 - ☐ man-made aids to production (tools, machines)
 - ☐ natural resources
4. In a market economy, resources are allocated mainly by:
 - ☐ a central planning committee
 - ☐ the price mechanism
 - ☐ random chance
 - ☐ the army
5. A point exactly on the PPC represents an economy that is:
 - ☐ producing the impossible
 - ☐ in recession
 - ☐ wasting resources
 - ☐ using all resources efficiently
6. A merit good is under-consumed because people undervalue its benefits.
 - ☐ True ☐ False

7. Only command economies have to decide what to produce, how to produce it, and for whom.

☐ True ☐ False

8. The assumption "all other things being equal" is called ceteris _____.

9. Land is the factor of production that combines the others, takes the risk and earns the profit.

☐ True ☐ False

10. If the price is below equilibrium, there is a surplus and price tends to fall.

☐ True ☐ False

A-Level Economics

1. wants are unlimited but resources are finite

Scarcity = unlimited wants meeting finite resources; it forces choice.

2. Unemployment rose to 5% last year

A positive statement is factual and testable; the others are value judgements (normative).

3. man-made aids to production (tools, machines)

Capital is man-made aids to production – not money (money just buys capital).

4. the price mechanism

Markets use prices (the invisible hand); command economies use central planning.

5. using all resources efficiently

On the curve = full, efficient use; inside = spare capacity; beyond = unattainable.

6. True

Merit goods (education, vaccines) are under-consumed, so governments encourage them.

7. False

False. Every economy faces these three questions because resources are scarce. Economic systems differ only in who answers them: markets, the state, or a mix.

8. paribus

Ceteris paribus lets economists isolate the effect of one variable.

9. False

False. That describes enterprise: the entrepreneur organises land, labour and capital and bears the risk for a profit (or loss). Land means natural resources, rewarded by rent.

10. False

False. Below equilibrium, quantity demanded exceeds quantity supplied, so there is a shortage and price tends to rise until the market clears. A surplus occurs above equilibrium.