

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

- ☐ 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

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.