

Starter Quiz

A-Level Economics

Name: _____ Score: _____

1. To correct a negative externality, a government would typically use a:

- ☐ subsidy
- ☐ free provision
- ☐ price floor
- ☐ tax

2. Equity in economics means:

- ☐ fairness (which may not be equality)
- ☐ maximising GDP
- ☐ zero taxation
- ☐ everyone receiving exactly the same

3. The demand for labour is described as "derived demand" because it depends on:

- ☐ the weather
- ☐ the exchange rate
- ☐ the demand for the goods labour produces
- ☐ the money supply

4. A minimum wage set above the equilibrium wage can cause:

- ☐ no change at all
- ☐ lower wages
- ☐ a shortage of labour
- ☐ a surplus of labour (unemployment)

5. Tradable pollution permits work by:

- ☐ subsidising polluters
- ☐ banning all pollution
- ☐ capping total pollution and letting firms buy/sell allowances
- ☐ fixing the price of output

6. Heavy redistribution can reduce incentives to work – the equity-efficiency trade-off.

- ☐ True ☐ False

- ☐ True ☐ False

8. Trade unions use collective bargaining to try to raise wages and improve conditions.

- ☐ True ☐ False

9. Taxes are the usual policy tool for encouraging goods with positive externalities, like vaccines.

- ☐ True ☐ False

10. Taxing those who can afford to pay more is an example of _____ equity.

1. **tax**

A tax raises the price and cuts the over-produced quantity toward the optimum.

2. **fairness (which may not be equality)**

Equity = fairness; equality = the same for everyone. They are not identical.

3. **the demand for the goods labour produces**

Firms hire workers to make goods that are themselves demanded – hence derived.

4. **a surplus of labour (unemployment)**

A binding price floor leaves quantity supplied above quantity demanded – excess labour.

5. **capping total pollution and letting firms buy/sell allowances**

A cap-and-trade system limits total emissions and prices them via a permit market.

6. **True**

High taxes/benefits can blunt incentives, trading some efficiency for greater equity.

7. **True**

Higher productivity raises the value of a worker to the firm, increasing labour demand.

8. **True**

Unions bargain on behalf of members for better pay and conditions.

9. **False**

False. Subsidies are used to encourage such goods: they lower the price and raise consumption towards the social optimum. Taxes discourage goods with negative externalities.

10. **vertical**

Vertical equity: the better-off contribute more.