Week 38

A-Level Economics

Homework bundle for this week

本周作业合集

exercises.lol

Contents 目录

Topic 8 quiz 2

Exercise sheet 8.1 5

Past-paper questions 8.1 10

Exercise sheet 8.2 13

Past-paper questions 8.2 18

Exercise sheet 8.3 22

Past-paper questions 8.3 28

8. Government microeconomic intervention (A Level) Starter Quiz · 课前小测

A-Level Economics   Name: ______   Score: ____

1. To correct a negative externality, a government would typically use a:
   - ☐ tax
   - ☐ subsidy
   - ☐ price floor
   - ☐ free provision
2. Equity in economics means:
   - ☐ fairness (which may not be equality)
   - ☐ everyone receiving exactly the same
   - ☐ maximising GDP
   - ☐ zero taxation
3. The demand for labour is described as ”derived demand” because it depends on:
   - ☐ the demand for the goods labour produces
   - ☐ the weather
   - ☐ the money supply
   - ☐ the exchange rate
4. A minimum wage set above the equilibrium wage can cause:
   - ☐ a surplus of labour (unemployment)
   - ☐ a shortage of labour
   - ☐ lower wages
   - ☐ no change at all
5. Tradable pollution permits work by:
   - ☐ capping total pollution and letting firms buy/sell allowances
   - ☐ banning all pollution
   - ☐ subsidising polluters
   - ☐ fixing the price of output
6. Subsidies are used to encourage goods with positive externalities, like vaccines.

   ☐ True   ☐ False

7. Heavy redistribution can reduce incentives to work — the equity-efficiency trade-off.

☐ True ☐ False

8. More productive workers tend to command higher wages.

☐ True ☐ False

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

☐ True ☐ False

10. A policy can backfire through government _________ (unintended consequences that worsen welfare).

____

8. Government microeconomic intervention (A Level) Answers · 答案

A-Level Economics

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**

   Subsidies lower price and raise consumption of under-provided merit goods.

7. **True**

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

8. **True**

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

9. **True**

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

10. **failure**

    Government failure: intervention that does more harm than good.

A-LEVEL ECONOMICS • EXERCISE SHEET

8.1 Government policies to achieve efficient resource allocation and correct market failure

Name: ____________ Class: ________ Date: __________ **Total: 24 marks**

KEY WORDS government failure 政府失灵 • competition policy 竞争政策 • tradable permits 可交易许可证 • subsidy 补贴 • regulation 管制

Objective

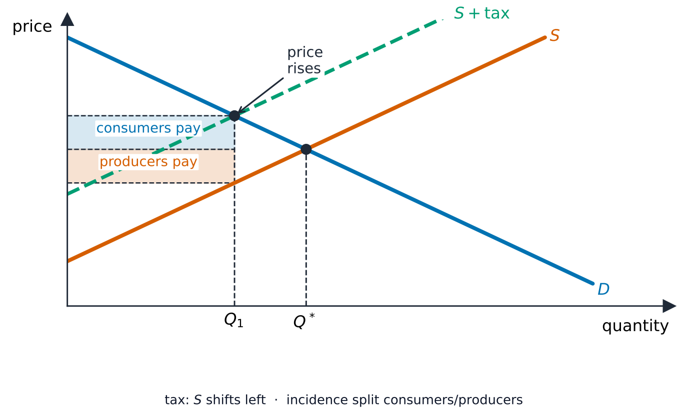
Build the skills to answer exam questions on **government policies to correct market failure** 政府纠正市场失灵的政策 — taxes, subsidies, **tradable permits** 可交易许可证, regulation, state provision, **nationalisation/privatisation** 国有化/私有化, **competition policy** 竞争政策, and **government failure** 政府失灵.

You must be able to:

- describe the policy tools used to correct market failure
- explain competition policy and tradable permits
- analyse government failure

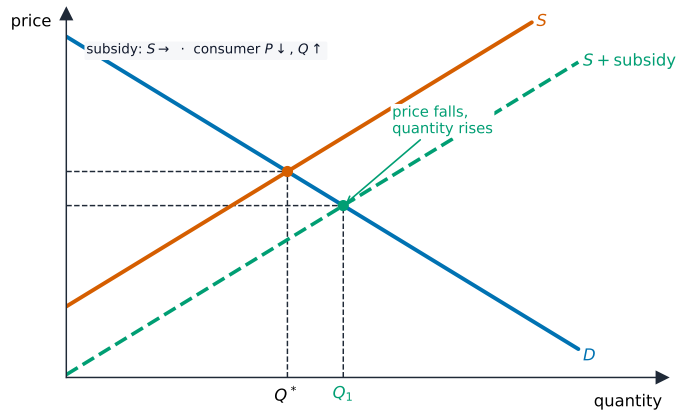
1 Worked examples

■ **Policy tools**



Used on goods with a negative externality (e.g. fuel)

- **Tax** on a negative externality; **subsidy** on a positive externality.



The other tool: a subsidy on a good with a positive externality raises output to the social optimum

- **Tradable permits** 可交易许可证: cap total pollution, firms trade the right to pollute.
- **Competition policy** 竞争政策: block harmful mergers, ban price-fixing, fine abuse of **monopoly power** 垄断势力.
- **Government failure** 政府失灵: intervention worsens resource use (poor information, lags, a black market).

> **Answer shapes:** an **Explain [up to 8]** answer may use a diagram (AO3); **Discuss [12]** adds a judgement (AO4).

2 Practice

2.1 Define the term *tradable permit*. [2]

2.2 State one aim of competition policy. [1]

2.3 Define the term *government failure*. [2]

3 Exam-style questions

3.1 Tradable pollution permits reduce total pollution by: [1]

- **A** banning all pollution
- **B** capping total pollution and letting firms trade the right to pollute
- **C** subsidising polluting firms
- **D** taxing every unit of output equally

3.2 Explain how a system of tradable permits can reduce pollution at the lowest cost. [6]

3.3 Discuss whether government intervention always improves the allocation of resources. [12]

Solutions

Economics answers are marked by **level of response** against the assessment objectives: award **AO1** knowledge, **AO2** application, **AO3** analysis and **AO4** evaluation.

2.1 a permit allowing a firm to emit a set amount of pollution, which can be bought from or sold to other firms (2 for a clear definition; 1 for a partial idea).

2.2 any one of: protect competition; block harmful mergers; ban price-fixing; stop the abuse of monopoly power (1).

2.3 when government action leads to a worse allocation of resources than the market outcome it replaced (2 for a clear definition; 1 for a partial idea).

3.1 B. Permits cap total pollution and let firms trade the right to pollute.

3.2 *[6]* AO1 1 + AO3 up to 5 — the government caps total pollution and issues permits → firms that can cut pollution cheaply do so and sell their spare permits → firms for whom cutting is expensive buy permits instead → the cap is met, but the cuts happen where they cost least → pollution falls at the lowest total cost.

3.3 *[12]* AO1/AO2/AO3 up to 8 + AO4 up to 4. **For:** taxes, subsidies, regulation and permits can correct externalities, provide public goods and curb monopoly power. **Against:** government failure — poor information leads to the wrong tax/subsidy, policies are costly and slow, and price controls can create black markets. Judgement: well-designed intervention usually improves allocation, but it can fail — so the gain depends on the quality of information and design.

9 Which government policy is intended to correct a negative externality?

A guaranteed minimum prices for farmers producing certain agricultural products

B imposition of taxes on factories releasing pollutants into rivers

C rent controls on housing occupied by low-income individuals

D the provision of free books for children of poorer households

11 Extra fishing boats start to operate from a local harbour which depends on fishing for its main income.

Which action by the local authority is an example of nudge theory?

A insisting that all fish caught are sold to local people

B increasing the licence fees for new boats

C distributing leaflets about the need to safeguard fish stocks

D restricting the areas in which boats can fish

13 What is an advantage of pollution permits, when compared with an alternative policy of taxes levied on the quantity of pollutants emitted by firms?

A firms cannot sell any surplus permits

B no monitoring of firms' emissions is required

C pollution levels can be reduced to zero

D the reduction in the level of pollution is more predictable

26 Which statement describes a multinational company (MNC)?

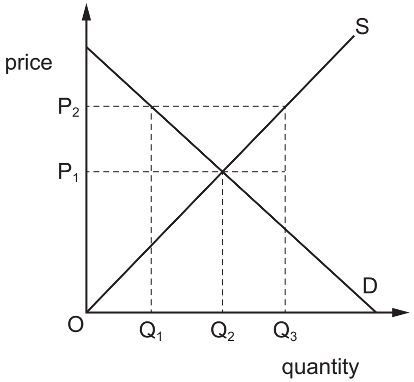
A A firm that avoids paying indirect taxes.

B A firm that conducts operations in different countries.

C A firm that experiences diseconomies of scale at low levels of output.

D A firm that trades internationally.

11 A government introduces a maximum price for rice of P_2.



What is the effect of this?

A Government spending will increase.

B The price of rice will be unchanged.

C There will be a shortage of rice.

D There will be a surplus of rice.

A-Level Economics: **w25 33**

3 A dentist is found to have charged patients for treatment they did **not** need.

What is the likely cause of this market failure?

A a minimum price

B asymmetric information

C non-excludability

D productive inefficiency

11 Some governments introduce rent controls (maximum prices) on houses rented from private landlords. They impose such rent controls to improve living standards for individuals with low incomes.

What might be the effects of rent controls in the long run?

A The long-run supply of rental houses will contract.

B The number of unoccupied privately rented houses will increase over time.

C The price of owner-occupied houses will increase.

D There will be no effect on the supply of rental housing.

6 What is the most likely evidence that an economy has reached a position of Pareto optimality?

A price volatility

B a large current account deficit

C a regressive taxation system

D full employment

A-LEVEL ECONOMICS • EXERCISE SHEET

8.2 Equity and redistribution of income and wealth

Name: ______ Class: ______ Date: ______ **Total: 26 marks**

KEY WORDS gini coefficient 基尼系数 • equality 平等 • equity 公平 • lorenz curve 洛伦兹曲线 • wealth 财富

Objective

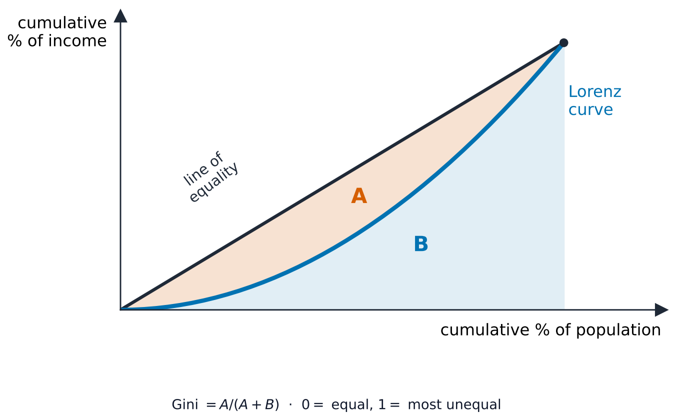
Build the skills to answer exam questions on **equity and the redistribution of income and wealth 公平与收入财富再分配** — **equity versus equality 公平与平等**, the **Lorenz curve 洛伦兹曲线** and **Gini coefficient 基尼系数**, and redistribution policies.

You must be able to:

- distinguish equity from equality
- interpret the Lorenz curve and Gini coefficient
- analyse policies to redistribute income and wealth

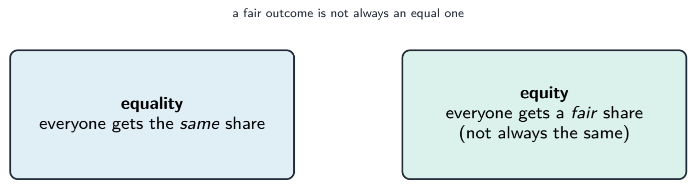
1 Worked examples

■ Measuring inequality



Cumulative income share against cumulative population share

- **Equity** 公平 = fairness (not always equal); **equality** 平等 = the same for all.
- **Lorenz curve** 洛伦兹曲线: a sagging curve shows inequality; the diagonal = perfect equality.
- **Gini coefficient** 基尼系数: 0 (perfect equality) to 1 (one person has all) — higher = more unequal.
- **Policies: progressive tax** 累进税, **benefits/transfer payments** 转移支付, free state services.



Equity versus equality — the distinction a redistribution answer must draw

Answer shapes: an **Explain [up to 8]** answer may use a Lorenz diagram (AO3); **Discuss [12]** adds a judgement (AO4).

2 Practice

2.1 State the difference between *equity* and *equality*. [2]

2.2 State what a Gini coefficient of 0 means. [1]

2.3 State two policies that redistribute income. [2]

3 Exam-style questions

3.1 A Lorenz curve that lies **further** from the line of equality shows: [1]

- **A** lower inequality and a lower Gini coefficient
- **B** higher inequality and a higher Gini coefficient
- **C** perfect equality
- **D** a fall in total income

3.2 Using a Lorenz-curve diagram, explain how the Gini coefficient measures income inequality. [8]

3.3 Discuss whether redistributing income from rich to poor always benefits an economy. [12]

Solutions

Economics answers are marked by **level of response** against the assessment objectives: award **AO1** knowledge, **AO2** application, **AO3** analysis and **AO4** evaluation.

2.1 equity means fairness (which may not be an equal share); equality means everyone getting the same (2 for a clear difference; 1 for a partial idea).

2.2 perfect equality — every person has the same income (1).

2.3 any two of: progressive taxation; benefits / transfer payments; free state services (1 + 1).

3.1 B. A curve further from the diagonal means more inequality and a higher Gini.

3.2 *[8]* AO1 1 + **AO3 diagram up to 4** (line of equality, sagging Lorenz curve, areas A and B) + AO2/AO3 up to 3 — the Lorenz curve plots cumulative income share against cumulative population share; the Gini is the area between the curve and the line of equality (A) divided by the whole area under the line (A + B) → the more the curve sags, the larger A, so the higher the Gini and the greater the inequality.

3.3 *[12]* AO1/AO2/AO3 up to 8 + AO4 up to 4. **For:** redistribution reduces poverty, can raise total consumption (the poor spend more of their income) and improves social outcomes. **Against:** high taxes and benefits can weaken the incentive to work and invest, and wealth is hard to tax (it can be hidden or moved abroad). Judgement: some redistribution helps, but going too far risks lower growth — the net benefit depends on how the policies are designed and the size of the incentive effects.

10 A government has a policy where income tax is paid only after the first $20 000 of income has been earned.

What would make the government's policy more equitable?

A Decreasing the threshold for paying income tax to $10 000 for all taxpayers.

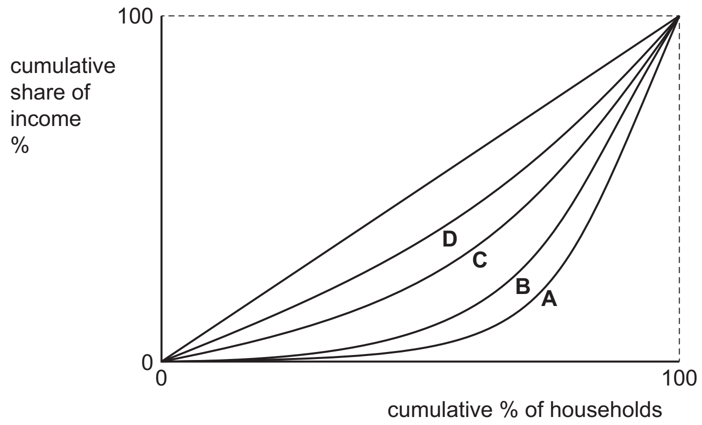
B Integrating the tax and welfare systems by introducing a negative income tax.

C Introducing universal benefits that are available to all citizens irrespective of wealth.

D Means testing all benefits so that they remain the same even if real incomes fall.

28 The diagram shows a Lorenz curve of the distribution of income of households for a country.

Which curve shows the most equal distribution of income of households?



A-Level Economics: **w25 33**

1 Why would an economy wish to achieve economic efficiency?

A to achieve an equal distribution of income

B to achieve full employment

C to ensure resources are not wasted

D to ensure international competitiveness

23 A government reduces both the income tax paid by all earners and the amount of means-tested benefits paid to those receiving low or no incomes.

What is most likely to be its objective?

A a more equitable income distribution

B a reduction in the rate of inflation

C a reduction in the trade deficit

D an increase in the rate of economic growth

30 The table shows the value of the Gini coefficient for an economy from 2018 to 2020.

year	Gini coefficient
2018	0.29
2019	0.28
2020	0.27

What is most likely to explain the change in the value of the Gini coefficient between 2018 and 2020?

A an increase in indirect taxes

B an increase in long-term unemployment

C an increase in the national minimum wage

D an increase in population

26 What are the variables identified on the axes of a Kuznets curve diagram?

	vertical (Y) axis variable	horizontal (X) axis variable
A	cumulative % of income	cumulative % of families
B	measure of inequality	income per capita
C	measure of standard of living	economic growth rate
D	income per capita	optimum population

1 **Inequality and globalisation**

A government commission published a report saying that global poverty and inequality were worsening and there was a risk that the gap between the rich and the poor would increase.

But, according to a newspaper, a lot of what is said about inequality is wrong. It overlooks the fact that the past 50 years saw a period of dramatic reduction in global inequality. The normal measurement of relative inequality is the Gini coefficient. The figure for global inequality in 1975 was 0.75, in 2020 it was 0.72 and in 2022 it was 0.67.

It is important to understand this trend rather than make the mistake of the commission.

The fall in global inequality should not come as a surprise. For about two hundred years the benefits of industrialisation went mainly to countries in Europe and North America. Income inequality between these countries and poorer countries worsened. The spread of globalisation in recent decades has meant this difference has lessened. Countries such as China and India have benefited from large increases in per capita (average) income, as shown in Table 1.1.

Table 1.1 Per capita (average) income and Gini coefficient for China and India 1990 and 2016

	Per capita (average) income (US$)		Gini coefficient	
	1990	2016	1990	2016
China	<1000	>13000	0.32	0.38
India	<1200	>7000	0.32	0.36

With such an increase in per capita incomes maybe some level of inequality does not matter. Indeed, it might be a necessary condition for economic growth. Instead of concentrating on eliminating inequality perhaps the focus should be on the absolute position of the poorest.

If the attention is on the relief of poverty rather than the wealth of the richest, improvements can be seen. Life expectancy has increased, most noticeably by ten years in the past two decades in the poorest region of sub-Saharan Africa. Literacy rates have also increased. Those in absolute poverty across the world have fallen from more than a third to under a tenth of the world's population. And all this while the world's population has increased.

Critics of globalisation and foreign direct investment (FDI) by multinational companies point to the possible negative environmental effects, the weakening of individual cultures and the reliance on international financial institutions that can fail. They also claim there can be exploitation of workers leading to greater wage inequality and possible increases in domestic unemployment as cheaper goods are imported.

Source: The Times*, 23 August 2021*

(a) The article refers to the Gini coefficient. With the help of a diagram explain the link between a Gini coefficient and a Lorenz curve. [5]

(b) **(i)** Distinguish between equity and equality. [2]

(ii) 'But, according to a newspaper, a lot of what is said about inequality is wrong.'

Analyse whether there is a conflict between what the newspaper wrote about changes in equality and Table 1.1. [5]

(c) With reference to the article, explain the idea of globalisation and assess whether there is enough evidence to conclude that globalisation has a net benefit for everyone. [8]

Section B

Answer **one** question.

EITHER

A-LEVEL ECONOMICS • EXERCISE SHEET

8.3 Labour market forces and government intervention

Name: ____________ Class: __________ Date: __________ **Total: 26 marks**

KEY WORDS minimum wage 最低工资 • national minimum wage 全国最低工资 • discrimination 歧视 • monopsony 买方垄断 • derived demand 派生需求

Objective

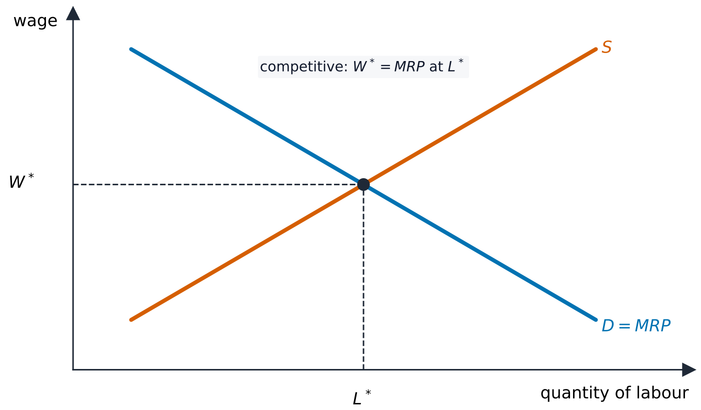
Build the skills to answer exam questions on **labour markets** 劳动力市场 — the **demand for labour** (derived demand, **MRP** 边际收益产品), the **supply of labour**, **monopsony** 买方垄断, **trade unions** 工会, the **minimum wage** 最低工资, and **wage differentials** 工资差异.

You must be able to:

- explain labour demand as a derived demand based on MRP
- draw a competitive labour market and a minimum wage
- analyse monopsony, trade unions and wage differentials

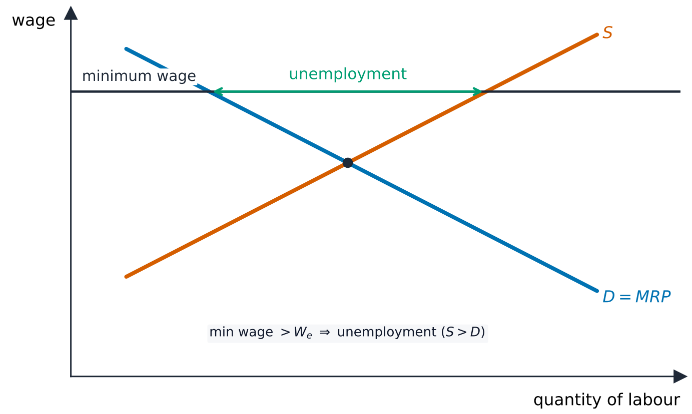
1 Worked examples

■ **The competitive labour market**



A wage is the price of labour — set by demand and supply

- **Demand for labour** = a **derived demand** 派生需求 based on the **marginal revenue product** 边际收益产品 (MRP).
- **Monopsony** 买方垄断: a single dominant **buyer** of labour → lower wage, fewer hired.
- **Trade union** 工会: can raise the wage above the competitive level (but may cut jobs).
- **Minimum wage** 最低工资 above equilibrium → unemployment; but in a monopsony it can raise **both** wage and jobs.



A minimum wage in a competitive market: the gap between labour supplied and demanded is unemployment

Answer shapes: an **Explain** [**up to 8**] answer may use a labour-market diagram (AO3); **Discuss** [**12**] adds a judgement (AO4).

2 Practice

2.1 Define the term *derived demand*. [2]

2.2 Define the term *monopsony*. [2]

2.3 State one reason for a wage differential between two jobs. [1]

3 Exam-style questions

3.1 The demand for labour is described as a **derived demand** because it depends on: [1]

- **A** the wage rate alone
- **B** the demand for the goods that labour produces
- **C** the number of trade unions
- **D** the minimum wage

3.2 Using a diagram, explain the effect of a minimum wage set **above** the equilibrium wage in a competitive labour market. [8]

3.3 Discuss whether a national minimum wage is good for an economy. [12]

Solutions

Economics answers are marked by **level of response** against the assessment objectives: award **AO1** knowledge, **AO2** application, **AO3** analysis and **AO4** evaluation.

2.1 demand for a factor (such as labour) that arises from the demand for the goods it is used to produce (2 for a clear definition; 1 for a partial idea).

2.2 a labour market with a single, dominant buyer (employer) of labour (2 for a clear definition; 1 for a partial idea).

2.3 any one of: differences in MRP/productivity; training and qualifications needed; risk or unpleasantness of the work; discrimination (1).

3.1 B. Labour demand is derived from the demand for the goods labour produces.

3.2 *[8]* AO1 1 + **AO3 diagram up to 4** (labour demand and supply, minimum wage above W^*, excess supply of labour) + AO2/AO3 up to 3 — above the equilibrium wage, the quantity of labour supplied exceeds the quantity demanded → firms hire fewer workers while more people want jobs → the gap is unemployment; the size depends on the elasticity of labour demand.

3.3 *[12]* AO1/AO2/AO3 up to 8 + AO4 up to 4. **For:** raises low pay, reduces poverty and in-work inequality, and can raise both pay and jobs in a monopsony. **Against:** in a competitive market it can cause unemployment, raise firms' costs and prices, and may push some work into the informal economy. Judgement: the effect depends on the market structure and how high the wage is set — modest minimums help, but very high ones risk job losses.

14 When is a minimum wage most likely to help reduce the problem of income inequality?

A Higher paid workers maintain pay differentials.

B Labour mobility is low.

C The informal economy is small.

D The minimum wage leads to increased unemployment.

A-Level Economics: **w25 31**

10 Which policy is most likely to contribute to people ending up in a poverty trap?

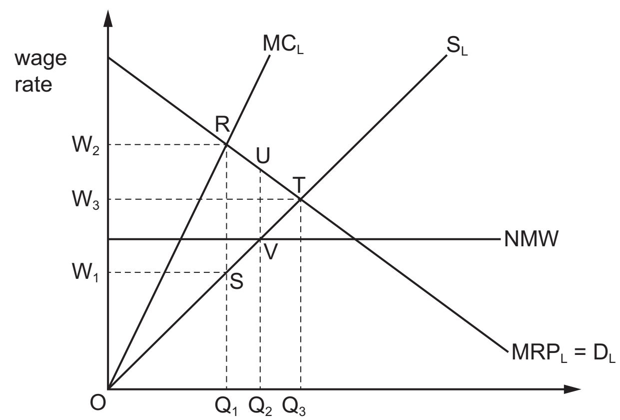
A legal minimum wage

B means-tested benefits

C prevention of cheaper imports

D proportional taxation

12 The diagram shows the effect of introducing an effective national minimum wage (NMW) in a labour market with a profit maximising monopsonist employer.



What is the effect of the NMW on the deadweight welfare loss in this market?

A It falls from RST to UVT.

B It falls from RSVU to UVT.

C It rises from UVT to RST.

D It rises from UVT to RSVU.

18 What is a likely consequence of an increase in government spending on education?

A increase in the supply of unskilled labour

B increase in occupational mobility

C increase in the rate of unemployment

D increase in trade union power

A-Level Economics: **w25 33**

9 There has been an increase in labour productivity.

Which combination of effects is most likely?

	shift of demand curve for labour	shift of supply curve for labour	effect on wage rate
A	none	inward	increase
B	none	outward	decrease
C	inward	none	increase
D	outward	none	increase

A-Level Economics: **w25 34**

10 There is a decrease in the supply of female labour.

What will the likely effect on male and female wages be?

	male wages	female wages
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

11 A government introduces a national minimum wage.

What is **not** a benefit of this to the economy?

A It boosts the morale of workers and enhances labour productivity.

B It raises incomes of poorer workers.

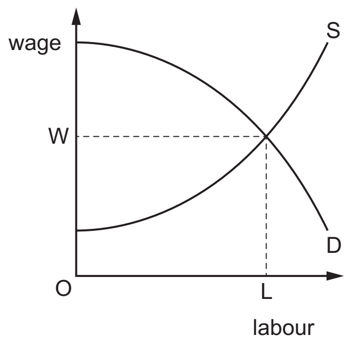
C It reduces government spending on welfare payments.

D It reduces structural unemployment.

13 Which combination of policies is most likely to reduce the number of low-paid workers caught in the poverty trap?

	individual's tax-free allowance for income tax	national minimum wage in real terms
A	decrease	increase
B	decrease	unchanged
C	increase	increase
D	increase	unchanged

14 The diagram represents the demand and supply of labour in a competitive industry.



What is true about unit of labour L when they are paid wage W?

A L is paid only economic rent.

B L is paid an element of economic rent and transfer earnings.

C L is paid below transfer earnings and leaves the industry.

D L is paid exactly transfer earnings and remains in work.

18 Which government policy is least likely to promote inclusive economic growth?

A increasing the national minimum wage

B investment in transport and infrastructure

C legislation reducing the power of trade unions

D using taxes and transfer payments to redistribute income