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)?

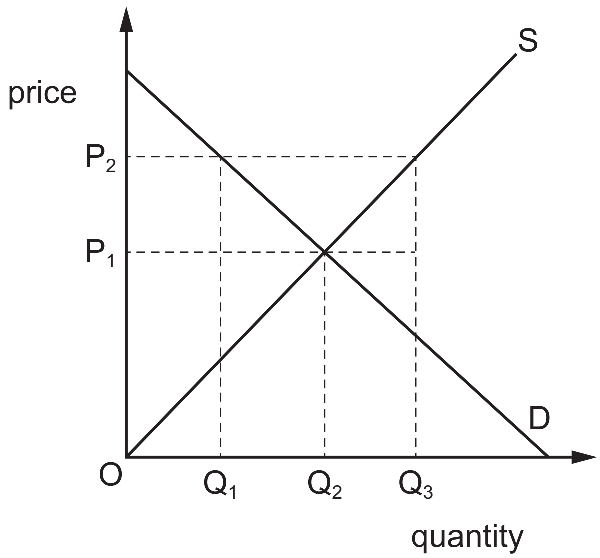
A A firm that avoids paying indirect taxes.

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.

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