3. Government microeconomic intervention

Starter Quiz · 课前小测

A-Level Economics   Name: ______________   Score: ________

1. Market failure means the free market:
   - ☐ allocates resources inefficiently
   - ☐ always sets prices too high
   - ☐ has no buyers
   - ☐ is illegal
2. A public good is under-provided by markets because of:
   - ☐ the free-rider problem
   - ☐ high prices
   - ☐ too much competition
   - ☐ government bans
3. An indirect tax on a good shifts the supply curve:
   - ☐ left (supply falls)
   - ☐ right (supply rises)
   - ☐ not at all
   - ☐ downward and right
4. A maximum price (price ceiling) set below equilibrium causes a:
   - ☐ shortage
   - ☐ surplus
   - ☐ higher equilibrium price
   - ☐ fall in demand
5. A Gini coefficient of 0 represents:
   - ☐ perfect equality
   - ☐ perfect inequality
   - ☐ high inflation
   - ☐ full employment
6. A positive externality (like vaccination) tends to be under-produced by the free market.

   ☐ True   ☐ False

7. Asymmetric information means one party in a transaction knows more than the other.

   ☐ True ☐ False

8. Government failure occurs when intervention creates unintended consequences that worsen welfare.

   ☐ True ☐ False

9. A progressive tax takes a larger percentage of income from higher earners.

   ☐ True ☐ False

10. Marginal social cost = marginal private cost plus the ________.

    ____

1. **allocates resources inefficiently**

   It produces too much or too little of a good for society — an inefficient allocation.

2. **the free-rider problem**

   Non-excludability lets people free-ride, so private firms can't profit from supplying it.

3. **left (supply falls)**

   A tax raises firms' costs, reducing supply at every price — a leftward shift.

4. **shortage**

   Below equilibrium, demand exceeds supply → a persistent shortage.

5. **perfect equality**

   Gini runs from 0 (perfect equality) to 1 (one person has all income).

6. **True**

   Social benefit exceeds private benefit, so the market produces too little.

7. **True**

   E.g. a used-car seller knows the car's faults better than the buyer.

8. **True**

   E.g. rent caps can reduce the supply of housing over time.

9. **True**

   Progressive taxation is a key tool for reducing income inequality.

10. **externality**

    MSC = MPC + the external cost imposed on third parties.