

- 13 A government fixes a minimum price for a service.
- What will be the outcome of such a policy?
- A

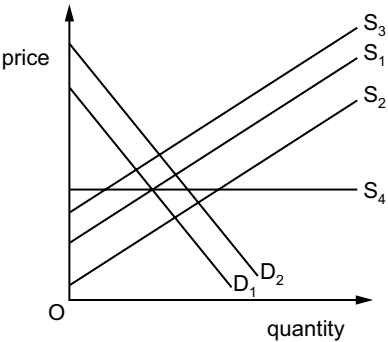
 Demand will fall if the minimum price is below the equilibrium price.
- B

 Demand will rise if the minimum price is above the equilibrium price.
- C

 Production will fall if the minimum price is above the equilibrium price.
- D

 Production will stay the same if the minimum price is below the equilibrium price.

- 15 The diagram shows the demand curve, D_1 , and the supply curve, S_1 , for a good.



The government decides to pay producers a specific subsidy for each unit supplied to the market.

Which curve shows the new effective demand or supply curve?

- A

 D_2
- B

 S_2
- C

 S_3
- D

 S_4

- 2 A country with a market economy changes to a mixed economy.
- When is this change likely to achieve the largest improvement in resource allocation?

	number of demerit goods in the country	Gini coefficient value for the country
A	many	0.4
B	many	0.7
C	few	0.4
D	few	0.7

- 5 Which merit good is likely to be under-consumed the most?

	level of imperfect information among consumers	subsidy received by producers
A	high	yes
B	high	no
C	low	yes
D	low	no

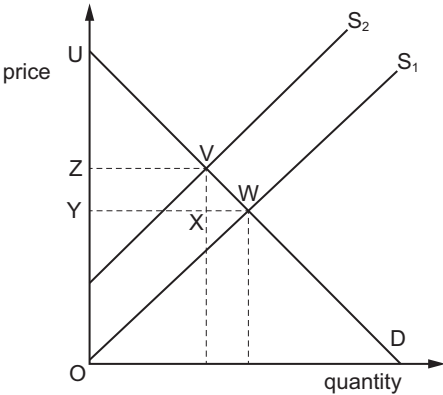
- 14 Why might a government introduce a minimum price for a product?
- A

 to benefit poorer consumers
- B

 to encourage consumption of a merit good
- C

 to encourage production of a public good
- D

 to support the incomes of producers



What is the change in consumer surplus?

- A

 UWX
- B

 UVZ
- C

 ZVWX
- D

 ZVXY

14 The income Gini coefficient of a country changes from 0.29 to 0.33 over time.

What might explain this change?

- A** an increase in food and energy subsidies
- B** an increase in structural unemployment
- C** an increase in the national minimum wage
- D** an increase in the top rate of income tax

24 What is the most likely reason for a government to introduce a progressive tax?

- A** to discourage the consumption of a particular good
- B** to distribute disposable income more evenly
- C** to increase the disposable income of households
- D** to reduce demand for healthcare services

4 Which change in the way resources are allocated in an economy is consistent with moving from a planned economy to a market economy?

- A** A minimum price guarantee for apple producers is removed.
- B** A new government authority is established to monitor inefficiencies in apple production.
- C** The production of apples is subsidised to increase output.
- D** The sale of apples has a maximum price imposed.

16 A government intervenes in the market for good X. It fixes a minimum price above the market equilibrium.

Which situation explains why the government would do this?

	good X	reason for intervention
A	demerit good	to decrease consumption
B	demerit good	to increase consumption
C	merit good	to decrease consumption
D	merit good	to increase consumption