

23 A country has a progressive income tax system.

What is **not** a valid reason for a government's decision to reduce the rate of income tax paid on higher incomes?

- A** to attract highly skilled workers from abroad
- B** to prevent tax evasion
- C** to provide work incentives
- D** to reduce income inequalities

27 What might cause income inequality to worsen in a country?

- A** increased discrimination
- B** increased labour market participation
- C** increased skill level of workers
- D** increased welfare payments

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.

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

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

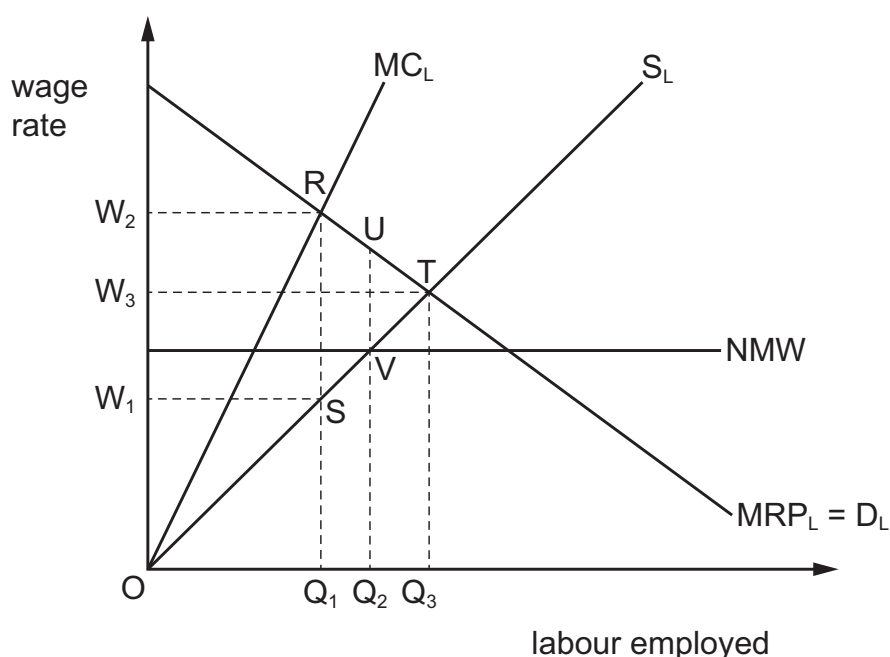
- A** legal minimum wage
- B** means-tested benefits
- C** prevention of cheaper imports
- D** proportional taxation

- 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

- 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.
- 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

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

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.