

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

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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.

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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?

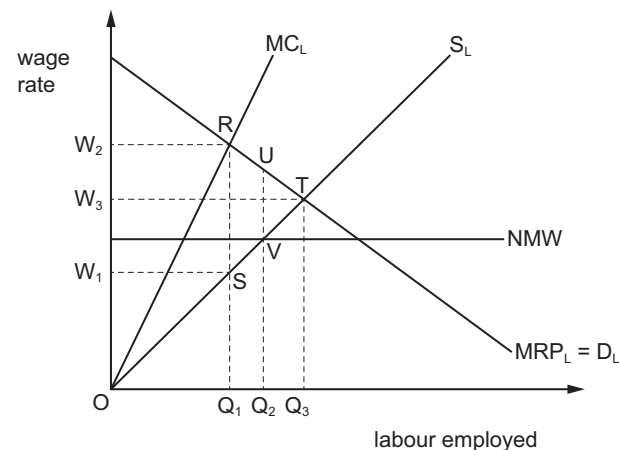
- A legal minimum wage
- B means-tested benefits
- C prevention of cheaper imports
- D proportional taxation

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.