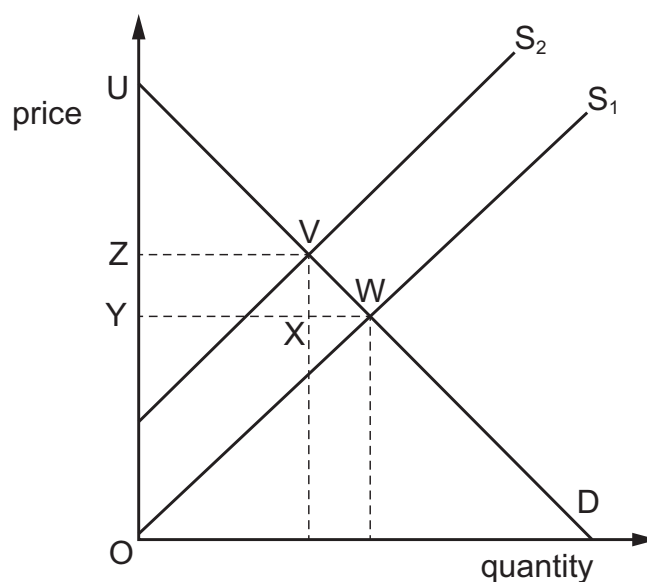


14 Why might a government introduce a minimum price for a product?

- 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

15 An indirect tax is imposed on a product.



What is the change in consumer surplus?

- A** UWY **B** UVZ **C** ZVWY **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.

12 The market for good X is in equilibrium when its price is \$10. The government decides to set a maximum price for good X.

Which maximum price will cause the largest change in consumer surplus?

	maximum price for good X (\$)
A	9
B	10
C	11
D	12

12 A government imposes a specific indirect tax on a product that has an inelastic demand curve.

What is the incidence of tax in this case?

- A** The tax falls entirely on the consumer.
- B** The tax falls entirely on the producer.
- C** The tax falls to a greater extent on the consumer than on the producer.
- D** The tax falls to a smaller extent on the consumer than on the producer.

- 2 (a) Explain what is meant by the incidence of an indirect tax **and** consider the extent to which it is possible for the incidence to pass from a producer of a good to a consumer of that good. [8]
- (b) Assess the extent to which a government should subsidise the production of merit goods to increase the consumption of these goods. [12]

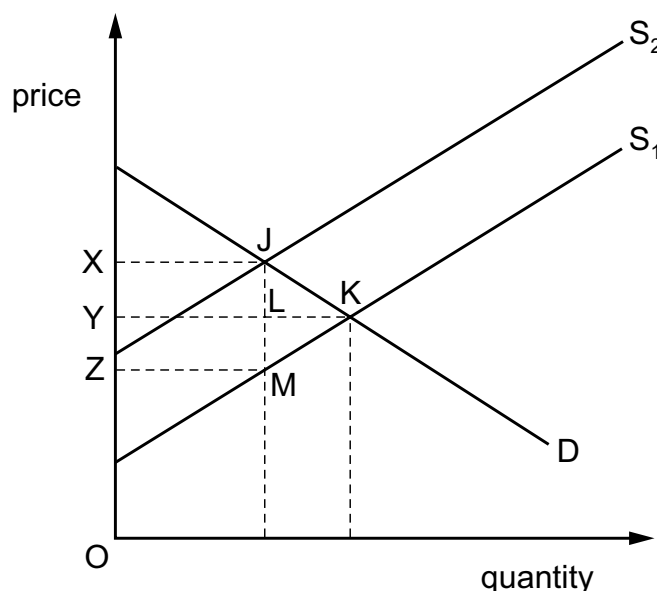
OR

- 13 A1..... price set below the market equilibrium will cause a2..... of the product, and a3..... price set above the market equilibrium will cause a4..... of the product.

Which words complete gaps 1, 2, 3 and 4?

	1	2	3	4
A	maximum	shortage	minimum	surplus
B	maximum	surplus	minimum	shortage
C	minimum	shortage	maximum	surplus
D	minimum	surplus	maximum	shortage

- 14 The diagram illustrates the effects of placing a specific indirect tax equal to JM on a good.



Which area represents total tax receipts?

- A** JKM **B** XJKY **C** XJLY **D** XJMZ