A-Level Economics: **w25 31**

Question 9 (Answer: **B**)

- A negative externality means the social cost exceeds the private cost.
- A tax raises the private cost towards the social cost, so output falls to the optimum.
- A guaranteed minimum price supports producers instead, which does nothing about the externality.

Question 11 (Answer: **C**)

- Nudge theory changes behaviour by altering the way choices are presented, not by banning or taxing.
- So it must leave the choice available while making the desired option easier or more salient.
- A licence limit or a tax is direct regulation, not a nudge.

Question 13 (Answer: **D**)

- Pollution permits cap the *total* quantity of pollution, which a tax does not.
- Firms can trade them, so abatement happens where it is cheapest.
- That flexibility is the advantage: the environmental outcome is certain while the cost is minimised.

Question 26 (Answer: **B**)

- A multinational company is defined simply by where it operates.
- It produces or trades in more than one country.
- Its tax behaviour or its size may be notable, but they are not what makes it multinational.

A-Level Economics: **w25 32**

Question 11 (Answer: **B**)

- A maximum price below equilibrium keeps the price down but creates excess demand.
- Quantity supplied falls to Q_1 while quantity demanded rises to Q_3.
- So there is a shortage, and the good has to be rationed some other way – queues or black markets.

A-Level Economics: **w25 33**

Question 3 (Answer: **B**)

- The patient cannot judge whether the treatment is needed, but the dentist can.
- That imbalance of knowledge is asymmetric information.
- It lets the better-informed party exploit the other, which is why the market fails.

Question 11 (Answer: **A**)

- A maximum rent below equilibrium creates a shortage of rented housing.
- Landlords withdraw properties or let them deteriorate, so supply falls.
- So the policy can leave the intended beneficiaries worse off – fewer homes available, and rationed by queue.

A-Level Economics: **w25 34**

Question 6 (Answer: **D**)

- Pareto optimality means no one can be made better off without making someone worse off.
- So it shows up as productive and allocative efficiency together.
- Price volatility, a trade deficit or a regressive tax system say nothing about whether that condition holds.